

The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

June 12, 1959

63rd Year, No. 24

Old Problems Reappear At NAIC Annual At Boston; Hammel Elected

By JOHN C. BURRIDGE

BOSTON—National Assn. of Insurance Commissioners is conducting its annual convention here this week, in many respects as intermission relief from the hearings of the U. S. Senate anti-trust and monopoly subcommittee. Through the meetings of the subcommittees and a few of the parent committees on Monday and Tuesday, it was evident that the problems postponed from the December meeting or earlier for possible action this week have failed to disappear or diminish.

Attendance at Boston is more than 1,000. All segments of the business are well represented, but no one seems to expect much to happen. The variable annuity situation in the life field is changing in nature and may call for research; in fire and casualty the main item is treatment of pack-

age policies (the M1 report).

The status quo will be carried on even by election. Paul Hammel of Nevada, who has been president for several months since Arch Northington of Tennessee was forced to resign over an auto rate hassle, has recovered from his heart attack and will be elected to a full term. Sam Beery of Colorado will remain as vice-president; J. Edwin Larson of Florida as secretary-treasurer (he has an indefinite tenure); T. Nelson Parker of Virginia as chairman of the executive committee. Joseph Gerber of Illinois is reported to be headed for some-

thing, either this year or next. Hugh L. Tollack is the executive secretary.

One of the more definite subcommittee reports printed and ready at press time for the eager industry people to absorb was that on future meeting sites. This lists the 1959 mid-year for Miami Nov. 30-Dec. 4, the 1960 annual for San Francisco May 30-June 3, the 1960 midyear for New York Nov. 28-Dec. 2 and the 1961 annual for Philadelphia June 4-9.

At the first plenary session Tuesday morning, the host commissioner, Otis Whitney, introduced Gov. Furcolo of Massachusetts and Edward McLaughlin, president of the Boston city council, both of whom offered greetings. The response was given by Beery of Colorado.

President Hammel introduced the 13 commissioners new to NAIC since (CONTINUED ON PAGE 24)

Great American Now Bureau Subscriber; Has New Auto Plan

Great American companies have changed their status with National Bureau and National Automobile Underwriters Assn. from members to subscribers.

The group is introducing an economy auto plan with a select driver policy to enable producers to compete with direct writers and companies offering auto coverage at reduced prices. The policy is to be written in American National, and filings are being made in selected states to be announced as approvals are granted.

Affords Relief, Ease

The select driver plan affords the producer relief from detailed office work, freedom from credit and collection problems, and simplified handling at the agency level. The policy is renewable every six months, is billed direct and is processed by machine tabulation. Agents retain ownership of expirations.

The policy provides standard coverage under the regular family automobile policy and contains the usual broad coverages in the bodily injury, property damage, medical payments, uninsured motorist and material damage sections.

Developed To Meet Demands

The plan was developed to meet demands from agents countrywide for a competitive automobile policy. Since it is designed for the safe driver, it embraces a strict underwriting program which eliminates impaired or extra hazardous risks.

As a subscriber, Great American stated, it will continue to offer standard forms of coverage in all lines under the jurisdiction of the two bureaus as heretofore at manual rates.

Commissioners' M1 Subcommittee Makes Long-Awaited Report

The report of the M1 subcommittee, awaited by industry people attending the commissioners meeting at Boston with considerable eagerness, made its appearance here Tuesday after a long, thorough and careful preparation. It was signed by all members of the subcommittee, which is most unusual.

The subcommittee decided in its executive session that its report would contain a statement of principle which would be recommended for adoption by the parent rates and rating organizations committee. The report states:

"The proposed reports heretofore prepared for your subcommittee's consideration (the M1 report and the industry report on it pro and con) have been the subject of intense study and controversy during the past year. They are the products of great effort by men conscientiously devoted to their tasks. Your subcommittee is cognizant of the problems involved. It is also cognizant that the laws of the several states on these matters are not identical and at this very time in some states are under administrative or judicial consideration. It is the subcommittee's unanimous view that, in lieu of adopting any report in the form heretofore proposed, the association position should be stated at this time in terms of general principle believed applicable to this field.

Favors Vigorous Competition

"Accordingly, it is recommended that the NAIC now declare that it is in favor of vigorous competition as to rules, rates and forms, subject to regulation by the states in the public interest, and that it supports the principle that affiliation with a rating organization should not affect the freedom of an insurer to file independently any multiple line package.

"Upon final determination of the pending cases under judicial review in this field, your subcommittee will report its analysis of their import and effect."

(Explanation of M1 issue appears on page 5.)

New Auto Plan Of Travelers Is Under Way In Nebraska

An experiment in setting automobile rates according to the actual driving record and age of the individual, as well as the use and average annual mileage of the automobile itself, will (CONTINUED ON PAGE 28)



The first sets of books collected by New York City insurance companies for distribution in foreign countries as an activity of President Eisenhower's program for people-to-people-partnership, are presented by insurance industry leaders to natives of four of these countries who are now employees of insurance companies in New York. Ten foreign countries have been selected to receive books collected during the "books abroad" drive which took place in 18 New York City insurance companies during the first week of June.

Accepting the token book selections on behalf of the people in the part of the world in which they were born are, from left, Mrs. Tanni Cassotto of the Netherlands and Miss Fe Bacani of the Philippines, both from the Atlantic Mutual companies; Miss Nilda Perez of Cuba, Chubb & Son, and Georges Omines of Belgium, Metropolitan Life.

Making the presentations on behalf of the insurance industry are, from left, J. Dewey Dorsett, general manager Assn. of Casualty & Surety Companies; Boyd A. Hartley, administrative assistant National Board of Fire Underwriters; Frederic W. Ecker, president Metropolitan Life, and chairman of the insurance committee of President Eisenhower's program for people-to-people partnership, and Holgar J. Johnson, president Institute of Life Insurance and chairman of the New York City insurance companies' books campaign.

More Independents Endorse Regulation By State, Not U. S.

Morrill Notes Competition In Casualty, Fire Improving; Hays Blasts National Board

By HENRY C. HALLAM

WASHINGTON—Five more witnesses were heard or heard from as the Senate subcommittee on anti-trust and monopoly continued its inquiry into insurance competition and state regulation. The witnesses represented independent insurers. There has been some indication that Sen. O'Mahoney, who is conducting the inquiry, and Donald P. McHugh, subcommittee counsel, would start June 23 with witnesses from the fire rating bureaus, from companies that are members, and from organizations of such companies.

Mr. McHugh put into the record a Federal Trade Commission volume containing the all-industry fire and casualty rating bills and analyses of state fire rating laws, including that of District of Columbia, which has come under the fire of several of the independents' witnesses.

Generally the five representatives of independents strongly endorsed state regulation and opposed federal control.

Thomas C. Morrill, vice-president of State Farm Mutual Auto and State (CONTINUED ON PAGE 16)

Zurich - American Marketing Is Geared To Tomorrow's Selling

By JOHN N. COSGROVE

(This is one in the series of articles on new marketing developments in insurance.)

Business paper editors, convention speakers, and management consultants continue to urge agency company insurers to revamp their marketing organizations to meet competition. While their torrent of words has been fracturing eardrums, Zurich-American has been going about organizing, setting up, and putting into operation a model marketing organization. Practically everything about it meets the specifications of the commentators who have been chiding the business for its antiquated sales methods. Even the theme of Zurich-American's program is significant—"Tomorrow's Business Today."

This is not a one shot, short term type of drive for business. It is a sustained, long range and coordinated effort. Definite goals and time tables in which to attain them have been established. The competitive weapons are already in the hands of the company's agents and sales personnel. The company doesn't have blueprints; it has a marketing structure.

List Factors Of Creation

Initiative, courage, imagination and a clean break with tradition went into the creation of the plan. For example, the agency department—time honored among all agency companies—went into the discard. In its place came the sales and marketing department. Its function includes sales analysis, agency development, and over-all promotion, aimed at developing premiums in all lines. In keeping with these objectives, the field forces have become what they should be—sales representatives. They have the primary duty of sales development. The load of in-

idential services which formerly occupied much of their time has been shifted to other departments with specialists in each function.

A sales and marketing department needs ideas. To spark the marketing effort, therefore, a sales analysis and promotion division was set up within the department. This unit includes a full-time market research analyst—a feature that is quite unusual in the business. The unit studies prevailing sales practices of competitors of all

types, explores new marketing methods, develops new forms and combinations of coverage, and, in the light of its conclusions, sets the sales goals.

An ally of the sales and marketing setup is the new research and development department which pinpoints the geographical areas, specific fields of business and industry, and lines of coverage in which the company might reasonably expect to make an underwriting profit. Profit is the constant

(CONTINUED ON PAGE 18)

Indemnity Of North America's New Auto Plan, Differences In Cover Are Analyzed

Indemnity of North America is entering the economy automobile insurance field with its Champion policy. Its basic appeal is reduced rates and reduced commissions, reported in one state as 15% for the first year and 10% on renewal. But there are also several coverage differences, some decidedly in favor of insured, but some reducing the coverage of the family automobile policy.

Has Newsworthy Feature

Undoubtedly, the most newsworthy feature of the Champion is that it offers a single limit of liability—strictly per accident, whether BI or PDL, and, in case of BI, without the special limit per person.

The single limit, which was incorporated in the comprehensive personal liability policy in the early 1940s, is something which students of insurance have felt should be in every liability policy. Although a few insurers, such as the companies of Chubb & Son, have offered single limit policies for some time—and although National Bureau offered, before World War II, a policy with a single limit of \$1,000 (which was not successful), this is, for practical purposes, the first

time the single limit principle has been used by a major company in the hotly contested automobile field. North America's limit is strictly an overall one.

As to details, the Champion is broader than the family automobile policy of National Bureau on certain points but is more restricted on others. It does not cover—as does the family policy—utility automobiles. These are light trucks not used for business purposes. The Champion does cover farm automobiles to the same extent that the family contract does. It does not provide the almost unlimited automatic coverage on newly acquired or replacing automobiles as the family policy does—a feature which, it is no secret, has caused plenty of trouble for underwriters and claim executives. Instead, the Champion covers newly acquired and replacing automobiles only if the insurer is notified within 30 days after acquisition. In addition, the Champion covers trailers only against liability, but not against physical damage, unless the trailer is specifically scheduled.

The Champion incorporates a number of those features which have been used as selling arguments by many independent insurers and also by members of Hoosierland Rating Bureau in the "Indiana broad form" policy. For example, the coverage of bail

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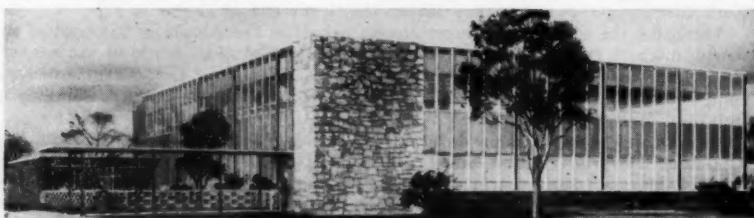
North America Building At Dallas

North America has started construction on a 25,000-square-foot office building in Dallas shown in an architect's sketch, below. It will house service operations for north Texas, Oklahoma and Arkansas. Cornerstone for the two-story structure, situated on a 1.7-acre site at 7900 Empire Freeway, has been laid, the ceremony including the insertion of a time capsule.

Participating in the cornerstone laying were four executives whose operations will be housed in the new building. O. W. Houston, fire and marine manager; A. H. Benjamin, casualty and bond manager; C. L. McCaw, life manager, and B. J. McCarthy, claims and loss manager.

Construction is scheduled to be completed about September 1. The new structure features aluminum-trim curtain walls in which glass window areas alternate with cadmium red porcelain panels separated by structural columns finished in a sienna accent. Brick trim will be in mixed purple-to-brown hues. There will be an enclosed garden with a wall of cast stone and brick.

The building will have year-around air conditioning, and the second floor will be served by elevator. Paved off-street parking for 95 automobiles is being provided, with separate double driveways giving congestion-free entrance and exit.



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Va. Group Puts Off Issue Of Accepting Agents Of Mutuals

Elects Litts, Coiner, Rueger As New Officers; Hears Slawsby And Others

By KENNETH O. FORCE

WHITE SULPHUR SPRINGS, W. Va.—More than 250 agents and company men and their wives attended the annual meeting at the Greenbrier here of Virginia Assn. of Insurance Agents. Despite the attractions of the mountain resort hotel the crowd was 100 or so fewer than usual.

The agents voted to table a proposal to accept mutual agents as members and deferred indefinitely consideration of a change in the constitution to permit this. This leaves the group open to agents of stock agency companies only, of which it has 1,500 members. A similar proposal was voted down three years ago. Many state associations accept representatives of both stock and mutual companies that operate on the agency system.

Jay C. Litts of the Norton agency at Norton was elected president to succeed G. Keith McMurran of Bowen & Co., Newport News. Hugh H. Coiner of the McCollum agency at Arlington was elected vice-president, and William Rueger III of the Norfolk-Justice agency, Norfolk, secretary-treasurer. J. Victor Arthur Sr. of Winchester was renamed state national director.

New Directors

New directors are Linwood G. Robinson of Henderson & Phillips, Norfolk; George D. Griffith Jr. of Crowder & Holloway, South Hill, and C. P. Barger of Waynesboro. The new officers were installed by J. W. Dillon, chairman of the state corporation commission.

The Winchester association was awarded the Bernard P. Carter cup for outstanding performance among local boards. The cup is a presentation of the late Richmond general agent. John G. Goodwin of the Arthur agency won Stock Fire Field Club's award for the outstanding member of the association for the year. The Maryland Casualty award for exceptional performance

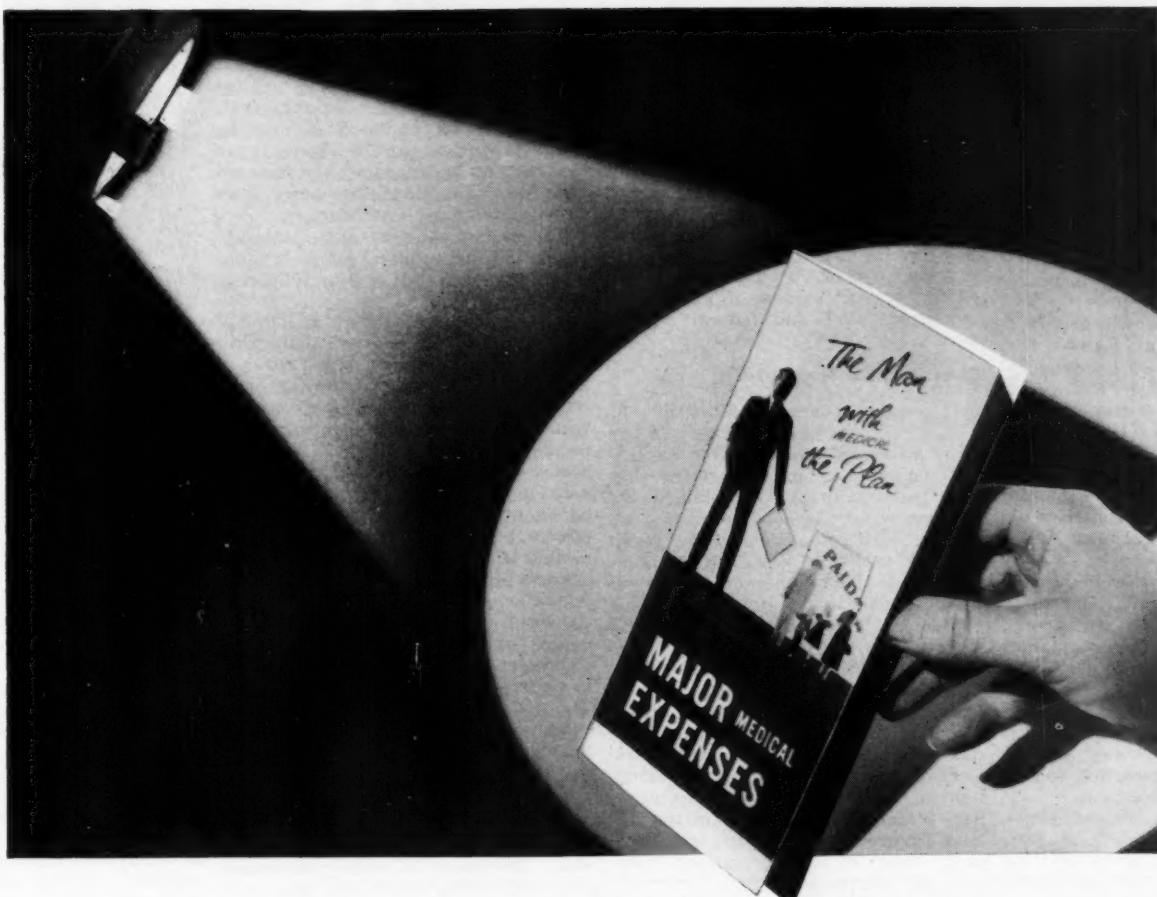
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Korman Files \$1 Million Libel Suit Against Metropolitan Of Chicago

A \$1 million libel suit has been filed in Chicago by Clyde L. Korman, executive vice-president of Fidelity General of Chicago, against Metropolitan of Chicago and its president, John J. Fahrenbach. Mr. Korman's suit is based in part on statements made in a suit in equity filed by Metropolitan against Mr. Korman, charging Mr. Korman had attempted to receive \$330,000 through misappropriation of funds when he was a vice-president of Metropolitan at the time it was known as Highway of Chicago. The suit in equity was dismissed last week but is still pending as a lawsuit.

The post of insurance commissioner is the last cabinet position to be filled by Gov. Brown. It is known he delayed making his choice while he considered giving the job, which pays \$17,500 a year, to a Democrat from Los Angeles.

Before becoming commissioner in 1955, Mr. McConnell was vice-president and general counsel of Pacific Employers.



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If you are an Agent who wants to be in the limelight, why not see for yourself how our new Guaranteed Renewable Major Medical Plan can help guard against today's skyrocketing medical costs and at the same time increase your own Accident and Sickness writings appreciably? The entire sales approach has been designed to make it easier for the Agent to sell and for the buyer to buy. Of course, a special invitation is extended to Agents now representing The Employers' Group . . . one of the few nationwide, full-line life and property carriers.

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Insurer Plundering, Weaknesses Of Regulation, Told To O'Mahoney

By KENNETH O. FORCE

WASHINGTON—Not only did some of the testimony before the Senate anti-trust and monopoly subcommittee run to more than 50 pages, with exhibits and appendices, but witnesses were frequently interrupted with questions which extended their appearances into hours. The subcommittee, under the baton of Sen. O'Mahoney, is making an inquiry into insurance competition and regulation.

The first two witnesses, Ingolf H. E. Otto, general agent at Kansas City and former professor of insurance at University of Kansas City, and Robert H. Hedges, associate professor of finance, of University of Illinois, were questioned frequently.

Sen. O'Mahoney thought two or three things Mr. Otto brought out were "headline makers," and they did catch the fancy of several newspapers. One was his description of the Louisville F&M-Inland Empire-Royal American-William Penn collapse as "deliberate plundering by professional company wreckers." Ten companies finally were involved and destroyed, Mr. Otto charged. The wreckers knew what they were doing, he stated, and made a profit out of it. Are they still in business, Sen. O'Mahoney wanted to know. One, Mr. Otto replied, is still in Brazil and is still in business.

"Will you prepare a written statement for us on this matter?" Sen. O'Mahoney asked. Mr. Otto said he would. Also comment on how states in which these companies operated dealt with the problem, Sen. O'Ma-

honey added. At another point Mr. Otto estimated the loss to insured at \$20 million as a result of the plundering of these companies.

Another part of Mr. Otto's testimony that Sen. O'Mahoney characterized as "headline material" was his statement that the failure of the Inland Empire chain, a series of Texas insurers, notably Ins. Co. of Texas, and many small reciprocals and county mutuals, reflected one of the chief weaknesses of the present system of mixed and incoherent state and federal regulation.

Cites Possible Manipulation

If companies are examined one at a time and at discreet intervals, he said, a person who controls several can manipulate sound assets so that when one company is examined, its finances will be in good order. But all of the other companies in the group may be insolvent. One capitalization serves for any number of companies, provided only that no two of them are examined at the same time, which he described as extremely unlikely.

This is a very serious charge, Sen. O'Mahoney commented. He wanted to know if any corrective action had been taken in states in which Inland Empire companies became insolvent.

"Not to my knowledge," Mr. Otto replied. Was there any prosecution, Sen. O'Mahoney asked. Not in the Inland Empire series. Can this still happen? None of the conditions have changed, was the reply.

The condition of the companies that went broke was common knowledge

among persons in the business long before they collapsed, Mr. Otto charged. He blamed state supervision for the insolvencies. That supervision deals too much with unimportant matters, too little with financial integrity; state departments are inadequately financed and weakly staffed. Regulatory laws in some states are unsatisfactory.

The last decade has seen an outbreak of insurance scandals that equalled the worst of the 19th century, he said.

Also, it is possible to manipulate or drain assets from companies by means of reinsurance, Mr. Otto testified. A company may pay a large reinsurance premium to a second, which transfers it to a third, which passes it to a fourth. The money becomes converted into low quality securities at par and so passes into the hands of the unscrupulous promoter or company wrecker.

He characterized the commissioners' examination system as one of state regulation's great weaknesses. Designed to protect public and policyholder by safeguarding the stability of insurer, in action it not infrequently contributes to the insurer's collapse. This is because the insurer being examined is charged the full cost of the examination.

Bad Effects Of Examination

The effects of the practice are particularly bad when the examination is most needed and most protracted, when the insurer is newly organized or is financially straitened, Mr. Otto observed. A small company newly or-

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Fireman's Fund Introduces New Credit Account Plan

Fireman's Fund group has introduced nationwide its new premium credit arrangement it has designated as credit account plan, or CAP.

The plan is a contract for payment of total premiums over a fixed period of time. The producers retain control of renewals. Under four separate budget arrangements, premiums are divided equally into 10 monthly payments, 30 monthly payments, 10 quarterly payments, or three annuals. All payments are equal except a small down payment which does not include a budget charge.

The producer collects the initial payment and the installments are mailed by the insured direct to the company. Bookkeeping is done by electronics.

Up to four separate policies may be included in each CAP agreement. CAP provides full term commission immediately.

Calls Public Hearings On Revising Cal. WC Rates

Commissioner McConnell of California has called public hearings in San Francisco June 26 and in Los Angeles June 30 to consider proposals for changes in workmen's compensation classifications and rates. The changes have been submitted by California Inspection Rating Bureau.

In a summary Commissioner McConnell points to:

Individual changes in minimum rates indicating a 1.2% over-all average decrease. This change in rate level is based upon experience and is exclusive of the effect of pending legislation which would increase compensation benefits and pending changes in the official minimum medical fee schedule now being considered by Industrial Accident Commission.

The Bureau says that if pending legislation is enacted and changes are made in the medical fee schedules, it will have to amend its filing to provide for increases in benefits and costs. The legislature has already indicated approval of high benefits and by the time these hearings are called the legislature will have completed its session—and Gov. Brown is expected to approve higher benefits.

The Bureau estimates that if the higher benefits are enacted, the effect will be an average increase of 14.8% and if the suggested changes are made in the medical fee schedule, there will be an additional increase of 3%.

Marine Group Elects

American Cargo War Risk Reinsurance Exchange elected W. Irving Plitt, Atlantic Mutual, chairman to succeed William A. Bonner, Chubb & Son. Other officers are Harold Jackson, William H. McGee & Co., vice-chairman and George Inselman, Marine Office of America, deputy vice-chairman.

Miles F. York, Atlantic Mutual, was elected chairman of the executive committee. Frank B. Zeller, Royal-Globe, was elected chairman, and Thomas M. Torrey, North America, vice-chairman of the underwriting committee. Henry A. Klahre, Chubb & Son, was reelected chairman and J. G. Trice, Talbot, Bird & Co., deputy vice-chairman of the loss committee. John T. Byrne, Talbot, Bird & Co., was reelected chairman of the finance and audit committee.

IN THE FINEST NEW ENGLAND TRADITION



The early history of publishing in New England is a saga of patriots relying on the printed word on the one hand, and the flintlock rifle on the other, to defend the principles in which they believed. This same sense of dedication to the principles of the American Agency System today guides the Peerless Insurance Company in providing modern multiple-line coverages in the Bond, Fire, Accident & Health, and Casualty fields.

Bonds and Burglary
Fire and Inland Marine
Accident and Health
Casualty and Liability Lines

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June 12, 1959

Mutual Bureau To Act On Ways To Meet New Auto Situation Rumors Rampant On Subcommittee's M-1 Report To NAIC

Recent actions of other rating organizations and developments in the automobile business generally have caused the governing committee of Mutual Insurance Rating Bureau to appraise the arrangements by which the bureau will, under changed conditions, continue to be of maximum service to members and subscribers and best enable them to serve the insuring public.

Greater flexibility in meeting the requirements of individual insurers calls for carefully drawn principles and procedural rules; consequently, the governing committee will meet again June 24 to consider the situation and make recommendations to members and auto subscribers. Both members and subscribers will be invited to a meeting to be held as early as possible in July. In the meantime, the bureau has advised members and subscribers that have a critical problem to communicate with the general manager.

Pa. Mutuals To Merge

Directors of Perkiomen Mutual and of Pennsylvania Mutual have agreed to affiliate, subject to approval of policyholders and of Commissioner Smith. The combined operation would be known as Pennsylvania Mutual, with principal offices at Collegeville, Pa.

Combined assets of the companies at Dec. 31, 1958 were \$1,583,438, and combined policyholders surplus was \$899,450.

From the standpoint of importance to state regulation, the biggest matter on the agenda of the annual meeting of National Assn. of Insurance Commissioners this week at Boston was the report of the M1 subcommittee. This has to do with statistical, rating and filing problems of multiple line contracts. It is a subject which the U.S. Senate anti-monopoly subcommittee under O'Mahoney of Wyoming is treating in painful detail.

Issue Is Complicated

The issue is complicated and is, in fact, not clearly understood by many of those responsible to pass on it. The industry is divided sharply along the lines of independents vs bureau. Twice in the last year NAIC has postponed coming to a decision. At press time this week the report of the subcommittee was not available, it being in the process of getting the most careful writing and editing. Rumors, however, as to what the report would contain are widespread.

In the matter at issue, the handling of multiple line, or more particularly package policies, the bureaus take the stand that package policies are comprised of separate lines of insurance put together under a single policy but still subject as components to the rating and filing procedures as prescribed for each line. The independents take the view that package policies are something special and can be treated as single, separate insurance con-

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AREN'T PEOPLE FUNNY?

Many people believe that an underwriter's primary concern on receiving word of a loss is to think up ways of avoiding it. This is as far removed from reality as describing a banker as a man who hates to lend money.

AGENCY MANAGERS LIMITED

BEN D. COOKE—PRESIDENT

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Pennsylvania Lumbermens Wins Case Involving Insured's Choice Of Cover

A case in which Anchor Lumber Corp., Anchor Sales Corp. and Anchor-Bilt Products Inc., affiliated companies, sued Pennsylvania Lumbermen's Mutual and the latter's field inspector and solicitor, Newton B. Morrell Jr., has been decided in favor of the insurer and Mr. Morrell in U.S. district court at Brooklyn.

The plaintiffs sought \$46,764 by

reason of underinsurance in that amount established as the result of a fire in one of their lumber yards on July 4, 1953. The sum was the difference between the \$65,000 face amount of the policy collected from the insurer and \$111,764 which plaintiffs asserted was the actual loss. Plaintiffs held that the latter figure would have been payable if the com-

pany had issued a blanket policy instead of two policies, each covering a separate lumber yard. Since the fire occurred in but one lumber yard, the loss was paid under the applicable policy.

The claim against the insurer and its field inspector was based on the fact that about 1950, the plaintiffs elected to cancel 30 or more fire policies issued by 18 companies and covering buildings, sheds and contents in separate lumber yards, and to consolidate their coverage with Pennsylvania Lumbermen's Mutual. This was

allegedly done in reliance upon the company's advertised ability to provide the most adequate coverage for the particular needs of the lumber business. Plaintiffs asserted that Mr. Morrell offered blanket insurance to them covering one or more locations but stated that this would be available only upon the basis of monthly reports to the company setting forth the values in the several lumber yards. The insurer and Mr. Morrell denied that any such statement was made.

Insurer's Contentions

The insurer contended, and the jury subsequently found, that Mr. Morrell discussed on various occasions with Sol R. Kaplan, plaintiffs' president, all policies that were available to lumber dealers and therefore to plaintiffs, and also fully explained the scope of coverage of each policy, including blanket insurance on a non-reporting basis covering one or more locations. The insurer further contended that Mr. Kaplan, a former practicing lawyer and an experienced lumber dealer, studied the entire situation at considerable length over a period of several months before arriving at any decision and finally decided to place his insurance with Pennsylvania Lumbermen's Mutual, requesting that his companies be furnished with a separate policy of insurance covering stock, etc., at each location. The insurer also argued that the proximate cause of the loss in excess of \$65,000 was the plaintiff's own carelessness in failing to maintain the proper amount of coverage at the location where the fire occurred, and knowingly placing over \$111,000 in values at a location where plaintiffs knew that only \$65,000 coverage was in force.

Testimony at the trial convinced the jury that Mr. Kaplan told Mr. Morrell that he was fully cognizant of the values of stock, etc., at each location at all times and would ordinarily be in a position to increase or decrease the amount of insurance at each location as the need arose. This was subsequently attested to by the fact that Mr. Kaplan had admittedly caused the amount of coverage upon the stock, etc., at the several locations, including the location involved in the fire, to be increased or decreased on various occasions prior to the fire.

Coverage at the location involved in the loss was increased from time to time up to about May, 1952 from \$10,000 to \$65,000, but for some unexplained reason plaintiffs failed to increase the amount of coverage subsequent to May, 1952, although Mr. Morrell made inquiries of Mr. Kaplan subsequent to that date as to the adequacy of the coverage. Mr. Morrell was assured that the insurance was sufficient.

Court's Instructions

The court stated in its charge to the jury that plaintiffs were not suing the insurer for breach of contract, since no contention was made that the insurer failed to pay a loss under the policy. Fire insurance viewed as a commercial commodity is not new or mysterious, the court continued. The New York law has for many years provided standard forms of fire policies. Anyone who contracts for coverage is apprised by law of the undertaking of the insurer as to the form and contents of its contract. The law informs him of what he is entitled to exact in exchange for the premium.

Since the insurer was dealing with a business enterprise and not an insurance broker, its duty to disclose

(CONTINUED ON PAGE 26)



YOU can sell more business prospects with HOME'S REPORTING FORM INSURANCE!

Show your business prospects how to get full inventory protection at a cost based on average inventory value and watch your list of business clients grow!

The Home's Reporting Form Insurance can do just that for you. It's equally effective in underinsured and overinsured situations . . . and your prospect has the option of pay-as-you-go, with The Home's great, new THICO premium payment plan!

Your Home Fieldman has all the information and material you need to build your business with business clients. Call him today and ask him about the 5 STAR PLAN!

The HOME Insurance Company

Property Protection since 1853

The Home Indemnity Company, an affiliate, writes Casualty Insurance, Fidelity and Surety Bonds





► Look for this advertisement in THE SATURDAY EVENING POST of June 27th. Producers are invited to use the artwork and text in their own advertising. Ask the Great American fieldman in your area for details, or write directly to the Company.

Rising Costs Take Big Slices From Your Insurance Protection

Home building costs have risen 145% *in the past 18 years*. As a result, more than half your home may now lack insurance protection if you have failed to keep your coverage up to date. Avoid needless risk. See a Great American agent, or your insurance broker, without delay.

► Great American's Premium Payment Budget Plan makes it easy to get *full* protection, for your home and contents—pay in easy installments—monthly, quarterly, semi-annually, annually. Investigate its advantages *now*.



GREAT AMERICAN INSURANCE COMPANY

FIRE · MARINE · AUTOMOBILE · CASUALTY · SURETY

Fireman's Fund Shifts Six In Marine Posts

Fireman's Fund has transferred Robert E. McDonnell, marine superintendent at Kansas City, to a similar post at Chicago. He is succeeded at Kansas City by David Blackmer, formerly marine special agent in southern California.

Jerome R. Geddeis, marine special agent at Milwaukee, has been named marine superintendent at Minneapolis, and George Colburn Jr. succeeds Mr. Geddeis at Milwaukee. Named senior

inland marine underwriter at Chicago is John Pecen, formerly production underwriter at Cleveland. Bruce Jardard, marine underwriter at Chicago, has been promoted to marine special agent at Memphis.

A Pennsylvania bill which would continue existing rules that prohibit TV stations from advertising any insurer not licensed in the state, and from using any false or misleading advertising from any insurer licensed in the state, has passed the legislature and been sent to the governor for signature.

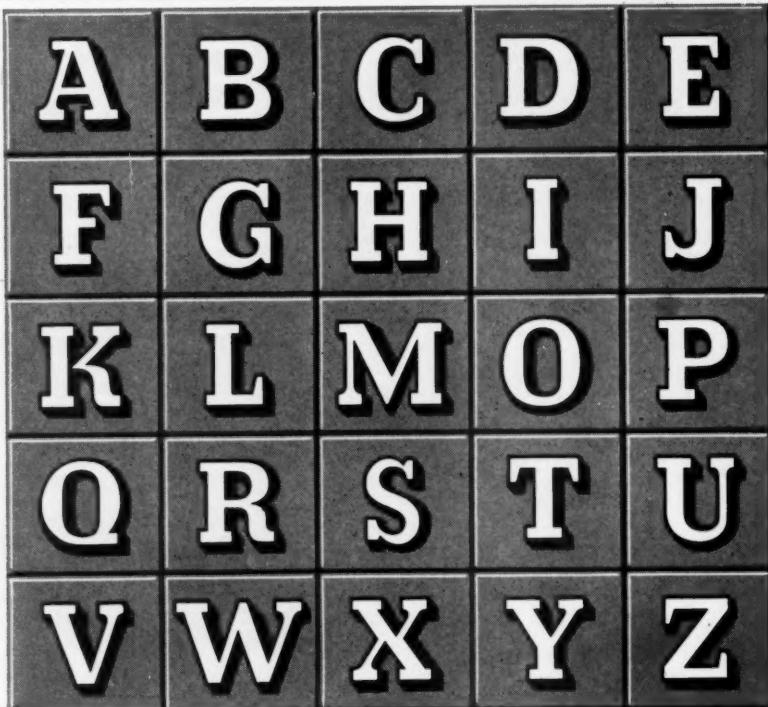
Kemper Names Luthy, Edwards To New Posts

Kemper companies has named Martin P. Luthy Jr. production manager at Summit, N. J., succeeding Luther F. Edwards Jr., who has been transferred to the staff of eastern department Manager William H. Heineke.

Mr. Luthy joined the Kemper organization in 1951 and has been on the home office agency production staff since 1954. Mr. Edwards has been with Kemper since 1940.

New senior executives named are

**what's
wrong
here?**



Something missing. Reminds us of a multiple line insurance agency which writes substantial life business and does virtually everything a general agent does—except get a general agent's commissions.

If this describes *your* agency, why let it? Especially if you can qualify as a Postal Life General Agent and make more from each dollar's worth of life insurance sold, regardless of volume.

Here are the qualifications: You have successfully operated your general insurance agency for five years in the same community, writing a sizeable volume in life. This community has a population of less than 125,000 and is in Connecticut, Delaware, Illinois, Indiana, Maryland, Michigan, New York, Pennsylvania, Virginia or District of Columbia.

So far so good? Now, here's what Postal can do for you:

- Give you a top General Agent's Contract. This status assures you higher commissions, fully vested renewals, and you can easily qualify for continuous service fees.
- Give you flexible underwriting with individual consideration on your cases.
- Give you up to \$10,000 free group insurance.
- Give you an allowance for expenses as they relate to the life end of your business.
- Give you a complete range of first-rate policy contracts . . . the line with which Postal's general agents broke all sales records in 1958.
- Give you an association with a New York company 54 years strong in the life insurance industry . . . a company oriented to its general agents, who have quintupled Postal's insurance in force in the past 10 years.

If you are interested in becoming part of the continuing Postal Life success story—and in making the life segment of your business mean what it should to you—do this today: Write, in complete confidence, to Donald L. Smith, Director of Agencies, and tell him about yourself and your agency. It may well be the wisest business move you've made since you opened your own agency.



POSTAL LIFE
Insurance Company

511G FIFTH AVENUE, NEW YORK 17, N. Y.

GEORGE KOLONY, President

James E. Boyce, manager data processing; James J. Levis, underwriting executive department; Vincent P. Sumnerfield, claim supervisor, and Mr. Luthy.

Appointed junior executives are Leonard G. Kemp, head of underwriting analysis; Willard T. Roy, in charge of boiler underwriting; Arthur L. Stukhart, bond and burglary underwriting supervisor, and Louis P. Vozza, head of underwriting service.

Saturday Evening Post Explains High Auto Rates

"Why Auto Insurance Costs So Much," an article by Arthur W. Baum in the June 6 Saturday Evening Post, gives a clear explanation, in layman's language, of why today's motorist pays an all time high for auto liability coverage. Because of "reckless teenagers and immature adults," liability rates have increased 69% in the last 10 years, the article explains.

It points out that class 2C drivers hold 14% of all licenses but are involved in 28% of all accidents and 31% of fatalities. Until the public becomes aroused and demands up-to-date traffic laws and their enforcement, the \$5 to \$7 billion annual cost of traffic accidents will continue to climb. Building a good case for higher insurance rates, the author suggests that it would be ironic if a pinch in the purse is the factor that finally moves the public to action in halting auto accidents and removing incompetent drivers from the highway.

Agents Ask Pa. To Reverse Auto Dealer-Agent Ruling

Blair County (Pa.) Assn. of Insurance Agents has asked Pennsylvania's supreme court to reverse the Blair County court decision which held that automobile dealers may write insurance without violating the anti-rebate law.

H. F. Dowling, attorney for the association, told the court that the agents feel it is a captive business when auto dealers become agents and function in dual capacities by writing coverage on the vehicles they sell. He contended that auto dealer agencies get rebates in the form of commissions because, in effect, they are insuring their own cars, due to the fact that ownership does not pass to installment plan purchasers until the vehicle is paid for.

Most Md. Fire Rates Down

Maryland has revised fire rates with resulting decreases on most classes. The changes, effective June 1, do not apply to minimum rated risks.

Fire resistive dwelling rates are reduced 30% and contents 15%, whether written together or separately. Apartment building rates, with or without mercantile occupancy, are down 25% for brick and frame and 30% for fire resistive. Apartment household contents rates in the two divisions are 5% and 15% lower.

Mercantile building rates are up 30% for brick and frame and 10% for fire resistive for most occupancies. Office and bank building rates in the two categories are down 20% and 35%. Brick and frame manufacturing building rates are generally down 10% with no change for fire resistive.

Johnson Named At Detroit

Continental Casualty has named Donald F. Johnson manager of general liability underwriting at Detroit.

*The
Constitution
Insurance
Corporation*



**MULTIPLE LINE
REINSURANCE**

•
Henri G. Ibsen
President

**90 JOHN STREET
NEW YORK 38
NEW YORK**



The Pioneer Organization

**COATS &
BURCHARD
COMPANY**

APPRAISERS

4413 Ravenswood Avenue
Chicago 40, Illinois

- Appraisals for Correct Insurance Coverage and Proof of Loss
- Depreciation Studies
- Property Ledgers

**Pacific Employers Has
Number Of Changes**

Pacific Employers has made a number of changes among its executives and field men. Newly appointed as resident vice-presidents in California are Robert E. St. John, Pasadena; M. E. McFarland, Fresno; M. M. Thornton, Sacramento; John J. McIntyre, San Diego, and Robert K. Meyer, Oakland. The first three men have been managers of their respective offices. Mr. McIntyre was previously a special agent at Los Angeles and Mr. Meyer a home office representative of Meritplan in northern California.

Stanton Haight, newly elected vice-president, continues in charge at San Francisco, as does Resident Vice-president Joseph C. Reilly at Los Angeles. The latter office has been enlarged through consolidation of the metropolitan and Wilshire offices. J. V. Valla, resident vice-president, has been transferred from Wilshire to take charge at Long Beach.

James W. Taylor has been named resident vice-president at Atlanta, W. R. Van Nortwick, Newark; Clyde H. Cole, Oklahoma City; Ray L. Green, Denver; Swan Pierson, Seattle, and N. B. French, Dallas.

R. G. Waters of Houston has been elected a vice-president, and R. H. McDill, Kansas City, and Eugene F. Plauche, Nashville, have been named resident vice-presidents.

L. W. Gay, Victor Diaz, Robert Giesdorf and Charles Seiler have been named underwriting managers in that order at Los Angeles, Pasadena, San Diego and Fresno.

Pacific Employers is in an "all-out" effort of production assistance on behalf of its agents and brokers, the new assignments being a part of this program.

**Fireman's Fund Offers
Homeowners Sales Chart**

Fireman's Fund has produced visual aid charts to promote the sale of homeowners policies. The charts will be distributed to producers on a share-the-cost plan. Heretofore, the Fund has distributed sales aids without charge, but the homeowners chart is an elaborate and expensive item, although the cost to producers will be at a minimum.

The illustrated chart depicts the many perils a homeowner is confronted with and carries the prospect step by step to the point of sale. It is designed as a permanent selling tool.

Carl Cichon Promoted

Carl S. Cichon has been promoted to superintendent of the multi-peril department of the inland marine division of America Fore in the western department at Chicago.

Mr. Cichon joined America Fore in 1948 as a trainee in the inland marine department. He was promoted to examiner in 1950 and assistant superintendent in 1955. He is a past president of America Fore Examiners Club and currently is purser of the Mariners Club of Chicago.

San Francisco Women Elect

Mrs. Ella Fernbach, Hartford Fire group, has been elected president of San Francisco Insurance Women's Assn. Other officers elected are Jean Wetherbee, and Hecla McCurdy, vice-presidents; Gerdes McCart, recording secretary; Phyllis Rose, corresponding secretary; and Barbara Drole, treasurer.

**TO EVERY
INSURANCE COMPANY
PLAGUED
BY EXORBITANT
CLAIMS EXPENDITURES
ON AUTO TOPS
AND INTERIORS**

Rayco Announces

a New, 5-Point Claims Adjustment Plan

NOW—a national organization that helps you slash losses due to exorbitant claims settlements! Rayco—America's foremost specialist in convertible tops and car interiors—has developed a unique program (already serving many leading insurance companies) that offers price schedules on a market-by-market basis! Here's how it guarantees *all-around* satisfaction when you send your claimants to Rayco:

1 GUARANTEED CLAIMS PROTECTION

Rayco posts retail prices in every store for all to see. In addition, a special insurance price list is available to any insurance company, agency or adjusting firm.

2 FASTER, BETTER SERVICE

Rayco's speedy, "while-you-wait" service and attractive surroundings make the minimum waiting period more pleasant. Your customer leaves Rayco completely satisfied!

3 GUARANTEED MERCHANTISE AND WORKMANSHIP

Your customer receives quality merchandise and Rayco's guarantee relieves you of further claims (and reduces the possibility of additional invalid claims) on the replaced and repaired items.

4 CONFIDENCE AND SATISFACTION

Your customers know Rayco and have confidence in our merchandise. And millions are already satisfied Rayco customers.

5 RAYCO'S INTEGRITY

Rayco offers you this priceless "plus"—the integrity of a national organization, 150 stores strong. It's your assurance of quality merchandise, quick service, equitable prices, dependability, and, above all, customer satisfaction.

Informative Material Available To:

**Home Office Executives
Local Office Executives
Agencies and Adjustors**

Send for our eye-opening *Price Schedules* and descriptive booklet, "Rayco Dollar-Saver Insurance Plan."

Write to Rayco, 220 Straight St.,
Paterson 1, N. J. ATT: INSURANCE DEPT.

RAYCO
COAST-TO-COAST

220 Straight Street
Paterson 1, New Jersey

State Farm In Regional, Home Office Changes

State Farm Mutual Auto has promoted Stanford Schneider, assistant state director for Illinois, and A. L. Seckinger Jr., assistant state director for Georgia, to regional agency director in the home office, and Harold D. Poole, divisional claim superintendent in the midwest regional office, to general claim superintendent in the home office.

In connection with the management decentralization program at Salem,

Ore., Lloyd J. Larson, assistant Oregon state director, will become agency director for Montana and northern Idaho, and Harrison Carr, assistant Washington state director, will become agency director for Washington. Russell H. Price, assistant Missouri state director, has been named agency director for Oregon; Myron E. Smith, Oregon state director, will be director of education and training at Salem, Francis H. Mack, Montana state director, superintendent of agency records at Salem; and Douglas Ewen, administrative assistant there, director of

internal control.

State Farm F&C. has appointed C. E. White, underwriting superintendent at Berkeley, Cal., to acting regional fire manager at Salem; James E. Goodrich, underwriting superintendent at Bloomington to acting regional fire manager at Lincoln, Neb., and Andrew L. Driggers, loss superintendent at Jacksonville, to acting regional fire manager at Birmingham.

Buffalo has elected Charles E. Diebold, president of Western Savings Bank of Buffalo, a director.

Anchor Casualty To Be Separate Operation

Anchor Casualty, which was acquired by Agricultural, will continue to operate as a separate company.

Although Anchor will operate under its own board, its president, T. Parker Lowe, and President R. G. Horr of Agricultural will hold seat's on each other's boards. Agricultural Vice-Presidents H. M. Tomlinson and E. J. Dickey Jr. will head Anchor's finance committee and executive committee, respectively.

Both companies write similar lines although Anchor's principal experience has been in casualty and Agricultural's in fire. Geographically, 80% of the St. Paul insurer's business is west of the Mississippi, while Agricultural's is largely east of the river.

Kloth With Fla. Agency

Louis Kloth has joined Inter-American Insurance, Miami agency, as manager. Mr. Kloth was formerly president of J. T. Ross, New York excess and surplus line brokers and correspondents for Lloyds and other British insurers. More recently, he had been resident vice-president of Gibraltar Fire & Casualty, Columbia, S. C.

New Non-Approval Form Issued In Arkansas

LITTLE ROCK—Arkansas Inspection & Rating Bureau has introduced a completely new, redesigned non-approval form for criticisms of policy cancellations.

The new form, intended as a timesaver for the Bureau in issuing criticisms, lists by number some 12 of the most common errors generally found by the Bureau audit division in policy cancellations. Instead of writing out the full criticism as it is done in the present form, the error hereafter will be simply indicated by a single number, referring to the list of errors pre-printed on the new form. For unusual situations where a number of detailed instructions are to be given, the non-approval will be typed in full as heretofore in a space provided at the bottom of the form.

The Bureau plans also to redesign its general non-approval form along the same lines when its present supply of these forms depleted.

The speedy and efficient manner in which the fire in our plant was detected and extinguished left nothing to be desired.

W. D. Ford

Purchasing Agent



ARTISAN METAL WORKS COMPANY

Cleveland, Ohio

.... protects its property

Automatically — gets better
FIRE and BURGLARY protection

saves \$2,500 a year

Mr. Ford's statement reproduced above refers to a fire which started on a workbench at 5:46 p.m. on January 22. Instantly detected and reported to the fire department by ADT-Aero Automatic Fire Alarm Service, the blaze was promptly extinguished by Cleveland fire fighters.

One of the country's leading sheet-metal fabricators, Artisan Metal Works Company must maintain steady production to supply its customers with specially built cabinets for electronic and mechanical equipment. And to guard against interruption by fire and other hazardous conditions, the company's 60,000 square feet of factory space is protected *automatically* by ADT.

Aero Automatic Fire Alarm Service stands constant guard to warn of fire and summon fire-

fighting forces. ADT Burglar Alarm Service detects unauthorized entry and automatically summons police. ADT Heating Supervisory Service automatically detects and reports dangerous variations in temperature. In all cases, ADT provides regular inspections, tests and complete maintenance of its equipment.

Company officials report that this superior protection saves \$2,500 a year over the cost of hourly patrols.

May we show you what ADT can do for you?

An ADT specialist will show you how the right combination of *automatic* services can save you money and give better protection for property, profits and employees' jobs. Call our local sales office if we are listed in your phone book, or write to our Executive Office.

FROM OUR / NOTEBOOKS

CLIENT CASE STUDY

Locating a Running Mate

We have arranged affiliations of fire and casualty insurance companies into one homogeneous organization. Can we aid you in locating an insurance company which will complement your organization to provide true multiple line services? Inquire without obligation.



Controlled Companies of

AMERICAN DISTRICT TELEGRAPH COMPANY
Executive Office: 155 Sixth Avenue • New York 13, N. Y.
A NATIONWIDE ORGANIZATION

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Special Arbitration Program In NYC— Its History, Purpose, And Progress

By BERNARD L. HINES Jr.

Assistant to Manager,
Claims Bureau,

Assn. of Casualty & Surety Companies

How would you resolve this problem?

One insurer has premises liability coverage on a financially responsible insured; another insurer has the automobile coverage on the same insured. An accident occurs while insured's truck is being driven over a private road on insured's premises. An employee of an independent contractor is seriously injured when a large steel plate falls on him while he is riding on the bed of the truck. The possibility of a heavy verdict looms if a jury does not regard favorably a defense based upon contributory negligence. With due consideration for the merits of this defense, the plaintiff agrees to

accept \$12,500 in full settlement of his suit.

Both insurers agree that with all factors equal, the settlement figure is equitable, but neither can agree as to which should pay all or part of the loss. Each feels the other responsible. One asserts that liability does not stem from loading or unloading, but rather from negligent maintenance of the roadway; the other feels with the same conviction that the accident resulted from improper loading of the vehicle. Also offered was the allegation that aside from a question of loading or unloading, the proximate cause of the accident was the negligent operation of the vehicle without regard for the open and obvious condition of premises.

Several solutions presented themselves.

The insurers could let the matter proceed to trial and have a jury decide the issues. If this method were selected

then the insurers would not only defend the suit on the plaintiff's contributory negligence, but would be working against each other on the issues of negligent operation of the vehicle and negligent maintenance of the premises.

A second alternative would be for the insurers to agree between them-

selves as to proportionate share each should carry. But, on this they had reached an impasse.

Voluntary Arbitration Plan

Fortunately, when the problem arose a third alternative was present in the form of the special arbitration agreement to which both companies were signatories.

Before going into other examples of cases resolved through the facilities of this program, it might be well to review its history and to cover the

(CONTINUED ON PAGE 22)

DON'T FORGET

To Tell Him About CONTINENTAL'S "VACATIONER"



The Key To Greater Profit

This year for the first time thousands of agents and brokers will write excess and surplus line coverages for their clients. They will enjoy a new experience.

Entry into this new field of production and profit will establish for many producers a permanent, lifetime association with the special risk market—give them new tools and broader scope in their ability to handle larger risks.

Bowes & Company welcomes those agents and brokers who seek new opportunities in expanding their present sales volume. It offers every facility, every means of cooperation to establish a permanent, life-time relationship.

Both large and small producers will find Bowes & Company the key to greater profit.



Bowes & Company

INCORPORATED

135 SOUTH LASALLE STREET • CHICAGO 3 • ILLINOIS
99 JOHN STREET • NEW YORK 7 • NEW YORK

Continental Casualty's New Family Vacation Plan protects husband, wife, and all their unmarried children from 14 days to 19 years old. It's all done with one app, one policy, and one premium!

Your clients will appreciate your providing this all-family coverage because it gives 24-hour-a-day protection anywhere in the world and can be written for periods ranging from 3 days to 6 months.

Thanks to the "Vacationer" our producers are finding that there is no summer sag in sales. If you'd like to learn more, see your nearest Continental General Agent or Branch Office.

CONTINENTAL CASUALTY COMPANY

A Member of the Continental-National Group
HOME OFFICE: Chicago, Illinois

CONTINENTAL ASSURANCE COMPANY

NATIONAL FIRE OF HARTFORD

TRANSPORTATION INSURANCE COMPANY

TRANSCONTINENTAL INSURANCE COMPANY

Family Plan Not Available in New York State

Rumors Rampant On NAIC M-1 Report

(CONTINUED FROM PAGE 5)

tracts. The latter position is taken also in the famous M1 report constructed by department technicians for adoption by NAIC as a guide to the treatment and filing of package insurance.

The independents want the M1 report adopted and the bureau people want to have their substitute suggestions adopted. NAIC is in the middle and is reluctant to go either way. The

commissioners have heard everything there is to say on the subject, but because the fall elections produced a big turnover in the ranks there was reason to ask for more. So at Boston the arguments were aired again, by the same protagonists.

Mr. Thacher commented as the meeting opened that the M1 subcommittee is drastically reconstituted. Nebraska, Pennsylvania and New Jersey

are new members, while the New York representative is new. The continuity from the past, he observed, would have to come from the "newly appointed" California commissioner. Since the December meeting in New Orleans, not much has transpired on the M1 front, but the subcommittee in its new form could stand, he suggested, a review which would help determine whether it should proceed with the report. He asked that the proponents and opponents take 30 minutes to cover the subject, allotting 10 minutes to each side initially.

Vestal Lemmon, general manager of National Assn. of Independent Insurers, led off, speaking for the proponents. He said the position of the NAII and those taking its view is simply that they favored adoption of the proposed report when it was presented and they still do. The "bureau" or "majority" proposal, he declared, is a counter-plan of a so-called inter-line filing procedure.

At the New Orleans meeting, Mr. Lemmon recalled, he asked that if the M1 report were to be deferred that the same action be taken with the bureau filing plan. But MPIC has been at work getting its plan filed and it is in operation in several states. Mr. Lemmon said he hoped that at this meeting the subcommittee would do what was intended—take action on the report, and he added he would like it to be favorable action.

The inter-line filing plan, he charged, either ducks or gives wrong answers to the problems raised in the M1 report. The bureau plan does not make a single rating bureau responsible for package filings; by implication it will not permit partial subscriptions, and it allows bureaus to which a company is not a subscriber to oppose a deviation.

Seconds To Lemmon's Position

Seconds to Mr. Lemmon's position were offered by National Assn. of Insurance Brokers, North America (which noted the report has been postponed twice already), the Factory Mutuals, Chubb & Son, American Casualty, and Atlantic Mutual.

Mr. McConnell asked what the subcommittee would be adopting if it decided in favor of the report.

Perry Epes of North America condensed the proponents' position from the December report to explain that those favoring M1 believe it sets forth a suitable definition of multiple line policies for the purposes of the report: it recognizes the principle of the designation provision of the all-industry fire and casualty laws that the filer and a policy subject to both laws shall designate one law to be applicable and applies that principle also to deviation filings; it sets forth rules for filing that are consistent with the treatment of a multiple line policy as a single entity separate and apart from the filings for the same perils when covered in different policies, establishing a relationship between the company and the bureau (both for independent filings and deviations) which follows logically from consideration of a package policy as a single entity; and it incorporates a rule limiting the use of insignificant distinctions for determin-

ON THE SPOT

TRUCK and CAR WINDOW REPLACEMENT

Now you can give your assureds American Services on truck and auto replacements too!

Using only genuine factory auto glass, American's fleet of radio dispatched service trucks are within minutes of your assured's home or place of business to provide on-the-spot reglazing.

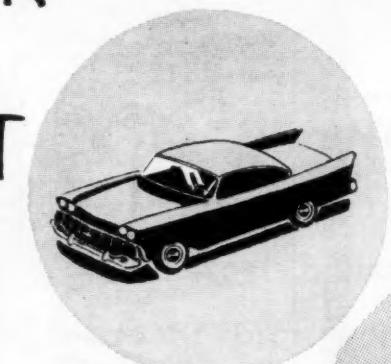
Or, if your assured prefers, he can bring his auto to the American Plant at 1030 N. North Branch Street or, he can phone MO 4-1100 for the address of the nearest of our six conveniently located reglazing stations.

This comprehensive auto and truck reglazing service was designed with you in mind. Why don't you give us a call for more complete details. You'll be glad you did.

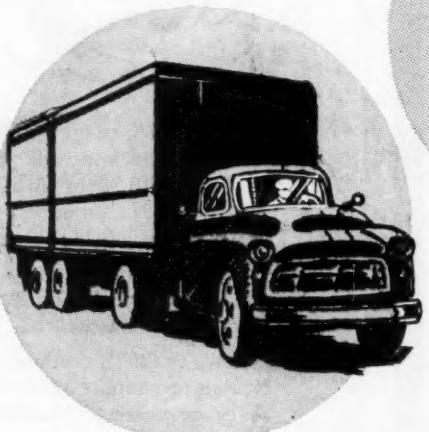
call
MO 4-1100

1030-42 N. Branch—Chicago—MOhawk 4-1100
3156 E. Woodbridge—Detroit—LO 8-1060

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INLAND MARINE
HOMEOWNERS' COMPREHENSIVE
MANUFACTURERS' OUTPUT
and similar covers

ing types of packages.

One of the basic points of contention, Mr. Epes explained, is whether an independent subscriber to a rating bureau may file a package policy on its own and still subscribe to the bureau for other lines. It is a matter of whether package policies are to be treated as single entities or as separate coverages bundled together. Ray Berry of the National Board, for the opponents, read a letter he had written to the subcommittee, with which, he said, he had originally intended to rest his case.

The letter, signed by a dozen or so of the trade associations which supported the majority report opposing M1, drew attention to the New York litigation involving North America in which a decision is expected this year. This will decide many of the issues, Mr. Berry said, urging that no action be taken until that decision is in.

Says Inter-Line Filings Work

The inter-line filings have been made and they are working, Mr. Berry continued. The subcommittee, he said, is dealing with a multiple line type of filing, and the M1 report itself says ML legislation did not reckon with the rating laws. No existing definition has been found for ML contracts; the difficulty is fitting this new product (insurance packages) "into the Procrustean bed of existing rating laws."

The M1 report recommends using fire filings if the fire and casualty laws are different. In other words, Mr. Berry noted, a casualty coverage, for rating purposes, is to be treated as fire.

A number of the issues are true legal points which call for court decision, Mr. Berry said. He asserted there is no damage resulting from a delay in reaching a decision.

Indiana Defines By Law

The recommendations of M1 and the industry reports are predicated on a non-legislative solution, but Mr. Berry remarked that time is passing and the possibility of that approach is slowly fading. Indiana has by law defined the combination of insurances to be a new type of coverage.

Harry Perlet of MPIC maintained that Mr. Lemmon had focused attention on a collateral issue, the inter-line filing plan. That plan is not meant to cure the problems but to substitute one filing for the great number of independent filings the departments had been receiving. It should make no difference whether one or three bureaus are used, according to Mr. Perlet, if the company achieves what it wants, the filing of its package policy.

The questions of partial subscription and bureau opposition to deviations are legal matters, not filing procedures, he added.

The repetitious statement is made that the independents haven't been hurt, Mr. Epes said, but North America can't get filings through in more than 12 states while those states wait for NAIC's decision. Some independent companies are told they can't file an independent homeowners because they haven't filed independent for fire; a bridge, Mr. Epes said, he thought had been crossed long ago. Thirty-seven jurisdictions have resolved all the technical matters at issue in favor of the North America-independent approach by administrative action, he added.

The statutory rights of insurers don't have to be subject to bureau restrictions, Mr. Epes declared. The

crux of the matter, he concluded, is whether multiple line insurance is to be open to competition.

Mr. Berry pointed out that 19 commissioners at Boston weren't in office at the time of the New Orleans meeting. It is too much to ask, he said, that a decision be made with such a short time for deliberation.

The public's appraisal of the issue will not rest on that sort of consideration, Mr. McConnell observed, but on whether the public is receiving its full rights. He asked Mr. Berry if a delay would impair the rights of independent insurers or their insured.

The truly independent is perfectly all right, Mr. Berry replied. The opposition to delay comes from the dependent independents who want the bureau for some things but not others.

Auto Figure Incorrect

The earned premium figure of \$930-828 given for Secured in the issue reporting 1958 automobile experience constituted only unearned premium reserve and should have read \$2,488-676. The incurred loss figure of \$1,550,716 is correct, making the loss ratio 62.3%.

Weekly Underwriter Has National Board Names 100th Anniversary Issue Committee Chairmen

The Weekly Underwriter has published a special issue to mark its 100th year of publication. Clifford Reckling, editor of the anniversary issue, compiled an historical survey of insurance, a view of the business today and predictions on its future.

Contributors from every segment of the business are represented in the publication which contains a number of historical photographs and prints.

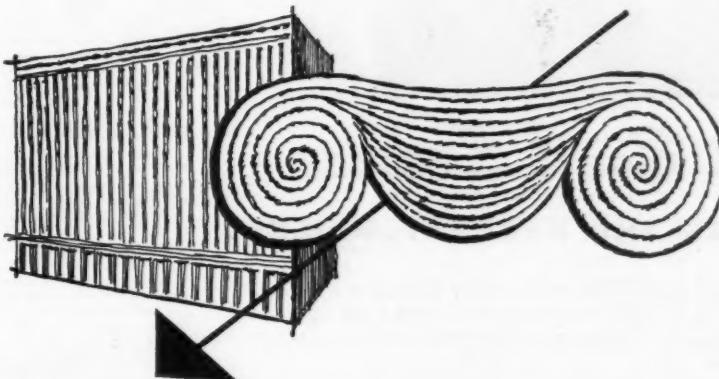
Corn Belt Elevates Donaldson

J. H. Donaldson, casualty manager Corn Belt, has been named a vice-president. He went with the company in 1955 after traveling Indiana and Illinois for 20 years with State Auto of Indiana, subsequently becoming Illinois sales manager. All other officers of Corn Belt were reelected at the annual directors meeting.

Richmond (Va.) Assn. of Insurance Agents will hold its annual picnic and outing at Lakeside Country Club, June 16.

Bergsten Assistant V-P Of J&H

Peter A. Bergsten has been elected assistant vice-president of Johnson & Higgins (Ill.). He has been with J&H since 1955.



THE INSURANCE EXCHANGE

IS IN STEP WITH THE TIMES

IT is the constant aim of the owners and of the management of the Insurance Exchange Building to keep the facilities and the service of Chicago's largest office building thoroughly modern and up-to-date.

For example, consider elevators. Several banks of Electro-matic elevators of the latest design have just been installed in the Insurance Exchange. And in line with the trend toward air con-

ditioning, five floors of the Insurance Exchange South have been completely air conditioned.

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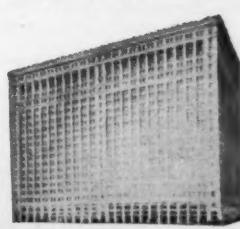
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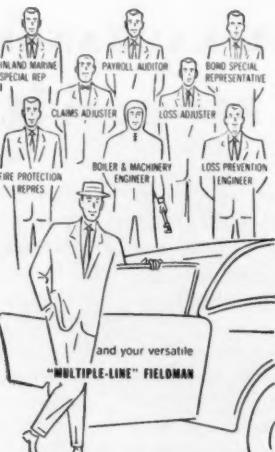
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Conventions

June 11-13, Mississippi agents, annual, Edgewater Gulf Hotel, Edgewater Park.
 June 11-13, Carolinas mutual agents, annual, Grove Park Inn, Asheville, N. C.
 June 14-17, Conference of Mutual Casualty Companies, management conference, Antlers Hotel, Colorado Springs, Colorado.
 June 14-18, International Assn. of A&H Underwriters, annual, French Lick-Sheraton, French Lick, Ind.
 June 15-17, Michigan Capital Stock Ins. Assn., Michigan Blue Goose, Michigan Fire Prevention Assn., annual, Gratiot Inn, Port Huron, Mich.
 June 15-18, National Assn. of Insurance Women, annual, Robert Meyer Hotel, Jacksonville, Fla.
 June 17-18, Illinois farm agents, annual, Jefferson Hotel, Ocean City.
 June 17-19, Maryland agents, midyear, Commander Hotel, Ocean City.
 June 17-21, National Assn. of Public Adjusters, annual, Concord Hotel, Klamath Lake, N. Y.
 June 18-19, Delaware agents, annual, Rehoboth Beach Country Club, Rehoboth Beach.
 June 18-19, Wisconsin mutual agents, annual, Schwartz Hotel, Elkhart Lake.
 June 21-23, New England agents, annual, Equinox House, Manchester, Vt.
 June 21-24, Insurance Advertising Conference, annual, Williamsburg Inn, Williamsburg, Va.
 June 28-July 1, Consumer Credit Insurance Assn., annual, Desert Inn, Las Vegas.
 June 30-July 2, International Assn. of Insurance Counsel, annual, Banff Springs Hotel, Banff, Alberta, Canada.
 August 2-7, Honorable Order of the Blue Goose, International, annual, Statler Hotel, Los Angeles.
 August 6-8, Alaska agents, annual, Ketchikan.
 August 9-12, West Virginia agents, annual, Greenbrier, White Sulphur Springs.
 August 13-15, Texas mutual agents, annual, Statler-Hilton Hotel, Dallas.
 August 19-20, ABC Service Bureau, annual, French Lick-Sheraton, French Lick, Ind.
 August 19-20, Hoosierland Rating Bureau, annual, French Lick-Sheraton, French Lick, Ind.
 August 19-22, Federation of Insurance Counsel, annual, Fontainebleau Hotel, Miami Beach.
 Aug. 20-22, Montana agents, annual, East Glacier Hotel, Glacier Park.
 August 24-25, South Dakota agents, annual, Sheraton-Johnson Hotel, Rapid City.
 Aug. 31-Sept. 2, International Federation of Commercial Travelers Insurance Organizations, annual, Broadmoor Hotel, Colorado Springs.
 Sept. 9-11, Washington agents, annual, Davenport Hotel, Spokane.
 Sept. 10-11, Conference of Mutual Casualty Companies, sales & agency conference, Conrad Hilton Hotel, Chicago.
 Sept. 10-11, Minnesota agents, annual, Hotel Duluth, Duluth.
 Sept. 12-14, Pennsylvania agents, annual, Bedford Springs Hotel, Bedford.
 Sept. 13-15, Oregon agents, annual, Marion Hotel, Salem.
 Sept. 13-16, Idaho agents, annual, Sun Valley Lodge, Sun Valley.
 Sept. 14-15, New Jersey agents, annual, Traymore Hotel, Atlantic City.
 Sept. 15-18, Mutual Loss Managers' Conference, annual, Edgewater Beach Hotel, Chicago.
 Sept. 16-18, Society of CPCU, annual, Ambassador Hotel, Los Angeles.
 Sept. 17-19, American Mutual Insurance Alliance Forum, Schroeder Hotel, Milwaukee.
 Sept. 17-19, New Mexico agents, annual, Western Skies Hotel, Albuquerque.
 Sept. 20-22, West Virginia mutual agents, annual, Daniel Boone Hotel, Charleston.
 Sept. 20-22, Indiana mutual agents, annual, Vendome Hotel, Evansville.
 Sept. 21-23, National Assn. of Insurance Agents, annual, Conrad Hilton Hotel, Chicago.
 Sept. 24-25, Oklahoma mutual agents, fall convention, Biltmore Hotel, Oklahoma City.
 Sept. 27-30, International Claim Assn., annual, Americana Hotel, Miami Beach.
 Sept. 28-29, New Hampshire agents, annual, Wentworth-by-the-Sea, Newcastle.
 Oct. 4-5, Vermont agents, annual, Equinox, Manchester.
 Oct. 4-6, Kansas agents, annual, Town House, Kansas City.
 Oct. 4-7, National Assn. of Casualty & Surety Executives and National Assn. of Casualty & Surety Agents joint annual meeting, Greenbrier, White Sulphur Springs, W. Va.
 Oct. 7-9, Western Loss Assn., annual, Lake Lawn Hotel, Lake Delavan, Wis.
 Oct. 7-9, Wisconsin agents, annual, Schroeder Hotel, Milwaukee.
 Oct. 11-13, Ohio agents, annual, Sheraton Gibson Hotel, Cincinnati.
 Oct. 11-13, Tennessee agents, annual, Andrew Johnson Hotel, Knoxville.
 Oct. 11-14, Conference of Mutual Casualty Companies, annual, Baker and Adolphus Hotels, Dallas.
 Oct. 11-14, National Assn. of Mutual Insurance Companies, annual, Baker and Adolphus Hotels, Dallas.
 Oct. 15-16, Nebraska agents, annual, Town House, Omaha.
 Oct. 18-20, Maryland agents, annual, Emerson Hotel, Baltimore.

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Va. Group Puts Off Mutual Agent Issue

(CONTINUED FROM PAGE 2)

ance as chairman of an association committee went to Fergus A. Goodridge of Richmond.

A feature of the convention was a panel discussion of "your agency's future" which was moderated by Mr. Ciner. Panelists were David Schenck, local agent at Greensboro, N. C., Carl E. Davis, Richmond attorney, and Walter G. Stephenson, Roanoke agent.

Archie M. Slawsby, Nashua, N. H. president of NAIA, told agents that selling is an art, for which there is a definite place in the economy generally and the insurance business particularly. Salesmanship, he said, is not incompatible with professionalism, though many agents seem to think so.

Objective Of Selling

The objective of selling is to shorten the time between the prospect state and the customer state. Obviously the objective of selling is to find the need for the coverage and then to fulfill the need in honest terms. A more subtle objective is to reveal quickly the integrity, knowledge and courage of the salesman so the prospect will want to do business with him. A cut rate frequently is an excuse for missing the sale, and is not always a bona fide reason.

He told the story of an agent who received a letter one day containing a dozen policies insured wanted cancelled so he could change to a direct writer. The agent went to the client and asked him a series of penetrating technical questions as he tossed down on the desk each policy, one by one. The agent concluded by saying that since the client was now entering the insurance business, he had better learn it. The agent kept the line.

The talk by Kenneth O. Force, executive editor of THE NATIONAL UNDERWRITER, will be reported in a subsequent issue.

Several out-of-state visitors attended the meeting, including C. A. Anderson, president of the District of Columbia association, and Mrs. Anderson; Herbert S. Brewer of Lockport, immediate past president New York state association, and Mrs. Brewer; John N. Hackney Jr. of Wilson, president North Carolina association, and Mrs. Hackney; Richard S. Brantley, executive secretary of North Carolina association, and Mrs. Brantley; and Ralph S. Stapleton of the Johnson-McConnell agency, Kingsport, Tenn.

William F. Aimone, executive vice-president of State Capital Ins. Co. of Raleigh, and Mrs. Aimone gave cocktail party and maintained hospitality headquarters during the convention. They were assisted by Ray M. Galloway and John G. Staples of the same company.

S. W. Schellenger, agency superintendent of Buckeye Union companies, Columbus, and R. D. Darden, Virginia manager, Richmond, were hosts for that group.

Robert C. Meharter, Virginia manager of Home Indemnity, and George F. Wilder, state manager of the group, both of Richmond, and Richard C. Marshall of Home Indemnity, Washington, acted as hosts for that organization.

In addition to making the banquet address, William E. Booth, vice-president of Cherokee, assisted by Thomas S. Temple, state agent at Richmond, maintained a coffee bar before and after the business sessions.

President and Mrs. McMurrin presided at the cocktail party before the banquet.

R. S. Barrett of Richmond.

Also, Chubb & Son, by F. D. Calley, A. F. Marshall Jr., and W. D. Shields, all of Huntington, W. Va.; Corroon & Reynolds, by A. R. Fretz of Durham, N. C.; Excelsior, by John Matlack and J. Paul Pizor of Syracuse; Fidelity & Deposit, by F. C. Robertson of Richmond and J. M. Taylor of Greensboro; Fireman's Fund, by H. R. Cooley, Richmond.

Also, Hartford group, by R. W. Muddon, Baltimore; London Assurance, by R. N. Greathead, Richmond, and Fred C. Saal, New York; Maryland

Casualty, by R. P. Hanger and W. J. Kvedar of Richmond; National Union, by B. W. Isaacs of Richmond; New Amsterdam, by C. T. Almond Jr. of Richmond.

Also, Royal-Globe, by J. W. Dalston of Richmond and J. C. Minor of Roanoke; Travelers, by Robert D. Daves and Emmet Siebels of Richmond and J. F. Mason of Roanoke; and U.S.F.&G., by H. M. Baiden and R. B. Ward Jr. of Richmond, J. D. Hendrickson II of Winchester, H. S. Mawyer and C. B. Watson of Roanoke, and T. R. Phipps of Baltimore.

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More Independents Endorse Regulation By State, Not U. S.

(CONTINUED FROM PAGE 1)

Farm Fire & Casualty, strongly commended the over-all competitive freedom that exists in the business, both fire and casualty. The experience of his companies "constitute an overwhelming endorsement of state regulation and persuasive evidence that reasonable competition exists generally in automobile insurance and to a lesser but growing extent in fire insurance."

He endorsed the recommendations made to the subcommittee by Vestal Lemmon, general manager of National Assn. of Independent Insurers. He also urged amendment of the District of Columbia rating law and a restatement in clear terms of the Congressional intent underlying public law 15 for the guidance of states and the industry.

He said the non-filing type of rating law permits competitive freedom which has produced benefits to the public in broader coverages and lower rates. He cited the bureau's new rating plan for automobile in California as an example.

He commented that State Farm, which has been selling homeowners at bureau rates without deviation, started in May to make independent filings of HO at competitive rates. One state already has approved the filing.

J. Michael Riley, president of Transport of Dallas, which is owned by interests in or close to the motor carrier business, and which writes business only for motor carriers, was asked by Sen. O'Mahoney, if insured has to pay a higher rate in a mandatory state like Texas, isn't that interference with interstate commerce?

Coverage Means More Than Cost

"Adequate coverage is more important than lower rates," Mr. Riley replied. In states with mandatory rates or uniform policies, buyers go to non-admitted foreign insurers to get the protection they want at a negotiated price, he said.

David L. Kreeger, senior vice-president and general counsel of Government Employees, suggested a one or two year moratorium to afford those states which require identical rates or that prohibit independent filings an opportunity to set their houses in order. He said he thought the McCarran act does not need amendment at this time. A strong admonition to these states, plus an invitation to Department of Justice to investigate and take suitable action to eliminate improper obstacles to competition, would do the job, he said.

Walter L. Hays, president of American Fire & Casualty, indicated that he thought National Board is the real opponent of competition in the fire business.

E. L. Brandt, vice-president in charge of rate filings, underwriting, actuarial work and electronics of Auto-Owners of Lansing, appearing for President W. C. Searl of that company, described difficulties it has had with a few state laws and regulations.

State Farm Mutual's automobile premiums increased 1,342% from 1942 to 1958 while the business as a whole increased by 665%, about half as much. This, Mr. Morrill said, demonstrates the over-all competitive opportunity. The figures constitute a strong endorsement of state regulation for maintaining the competitive climate in auto insurance which exists in almost all states. Other independents

have had exceptional growth in this period.

The fact that the company's operating plan contains innovations, some of which differ markedly from ordinary practices of the business, demonstrates the competitive freedom that exists under most state laws. However, he observed, this also puts in context most of the restraints on normal competition that the company has encountered in a few jurisdictions.

Many More Insurers Now

He noted also that in 1942, the year in which State Farm became the leading writer of automobile business, a position it has maintained since, 123 stock and 58 mutual companies, a total of 181, wrote automobile liability. In 1957 466 stock companies and 179 mutuals, a total of 645, wrote this type of business. Of the total, 365 had less than \$1 million in auto casualty volume.

The success of State Farm in competing with rating bureau insurers has encouraged formation of new companies, he said.

However, certain states present difficulties. In Virginia, where State Farm writes automobile at 25% off bureau and is the leading auto insurer, the company can't use the broader company contract in effect elsewhere, nor can it use its own territories.

"No feature of auto rate making is more likely to fall victim to bureaucratic lethargy than that of adjusting the boundaries of rating territories to match the development of urban areas," he declared. Conversely, there is no aspect of rate making where competitive freedom plays a more important role. He said the same comments apply to North Carolina.

In Louisiana it was not till 1956 that State Farm's membership fee and rate deviation were approved. Here the company struggled for more than three years to get approval of its plans, and Mr. Morrill put in a detailed account of this impediment to competitive freedom as a case history.

Dividend Is Costly Method

Only in Texas is the company prohibited from using the membership fee. It is required to increase established rates by 10% on semi-annual premiums. Consequently, dividends, currently 27.5%, represent net savings to insured of only 20.25%. The dividend process imposes extra, unnecessary costs. Even so, the company writes 190,000 cars in the state and ranks second in auto premiums.

In all-industry law states the result has been satisfactory over-all, he said. However, administration of the laws in a few states seems unnecessarily to have burdened the competitive process or interfered with the exercise of reasonable management judgment.

For example, New Jersey compels State Farm and other independents to maintain two systems of statistical codes. One is to accommodate the needs of their own rating structure. The other is to meet the needs of National Bureau and National Automobile Underwriters Assn. rating structures. This is an unnecessary expense and puts the bureau system in a preferred category, contrary to the intent of the all-industry laws, he said.

In a few instances independents are required to justify the differences between their filings and the bureau pattern. One department recently informed an independent, "You should

give us loss and expense date justifying the differential between your rates and those of the National Bureau companies."

No Litigation Or Hearings

State Farm Fire has had no litigation or protracted hearings in connection with deviations and independent filings, he said. Until recently, as a matter of policy, it has operated exclusively as a subscriber to fire rating bureaus. Its deviations have not been opposed by the bureaus. With certain exceptions, deviations have been approved by departments as requested or after reasonable adjustment of requests. No opposition has been encountered to independent filings of homeowners.

However, he said that the protracted hearings and litigation reported to the subcommittee are regarded by State Farm as a clear indication of the peril to which all are exposed who seek to sell fire at rates lower than those set by the private rating bureaus. Competitors should not be allowed to block lower rates by independent filings.

The company did run into opposition to deviation on fire in Kentucky. After several maneuvers the company currently is operating with a 10% deviation with the knowledge and acquiescence of the department but without its approval.

Mr. Morrill observed that when State Farm introduced them in 1922, the features of its plan for selling auto insurance were regarded as unorthodox—membership fees, which help pay expenses; semi-annual premiums, a convenience to insured that also enables the company to adjust rates quickly to changing conditions; continuous policies; direct billing and collection which saves money and practically eliminates credit losses; exclusive agents who are (7,500 men) independent contractors; and selection of risks. As to the latter he stated:

"Our aim is to insure the average driver of normal habits and to avoid the reckless and irresponsible fringe. It is not a policy of insuring the cream but rather one of rejecting the dregs."

Subcommittee Eyes D.C.

Sen. O'Mahoney observed that the subcommittee is not overlooking the fact that the District of Columbia rating law has been criticized for limiting competition.

Donald P. McHugh asked Mr. Morrill if he thought a rating bureau should be permitted to enter proceedings on deviations as "an aggrieved party." Such a situation presents an anomaly, Mr. Morrill replied.

Sen. Carroll, a subcommittee member, asked several questions about the business in his state of Colorado.

In response to a question from Sen. O'Mahoney, Mr. Morrill said that in New York, anticipating opposition on fire deviations, the fire company subscribes to the rating bureau and sells at regular rates, paying dividends. This is not, however, the company's permanent plan.

Transport was organized in 1950 by the motor carriers to make certain that there would be a competitive market for motor carrier insurance, Mr. Riley said. Prior to the organization of Transport, the market was very limited. It was difficult to purchase adequate protection at reasonable rates.

Transport's premiums in 1959 will

exceed \$10 million, he testified. Licensed to provide all lines of fire and casualty, its business is restricted primarily to automobile, general liability, workmen's compensation and cargo for the motor transportation industry. In 1958, 53% of premiums was automobile BI and PDL, 19% WC and 16% cargo liability. The remainder came from miscellaneous general liability and PHD.

Market Competitive, Stabilized

Transport Indemnity of Los Angeles was organized in 1945. Subsequently, motor carriers in the mid-west organized Carriers Exchange of Des Moines. As a result of the activities of industry-owned insurers, the market for motor carriers has been stabilized and has become extremely competitive. Industry-owned insurers compete for the business, and a large segment of the industry has reentered the market and is competing vigorously for motor carrier business. This reentry of insurers into the market has been brought about largely by new techniques pioneered and developed by industry-owned companies.

He said Transport wholeheartedly favors state regulation and not federal. He said that of 42 states in which Transport operates, only Texas, Virginia and Louisiana have uniform rating laws and mandatory policy forms. These laws need to be corrected to allow free competition to the extent provided by the all-industry bill.

Regulation On Trucks, Buses

Louisiana and Texas both regulate only trucks and buses garaged in those states. For example, a carrier domiciled in Texas or Louisiana with units garaged in one of the competitive rate states would be issued two policies with two separate rating systems applicable. Virginia is somewhat different. It regulates all vehicles regardless of where domiciled, if the home office of the carrier is in Virginia.

Transport's provision of less coverage and receipt of more premium than is required in mandatory rate and uniform policy states affects the ability of the carrier effectively to compete for business with carriers in competitive rate states, Mr. Riley said. Part, but not all, of the additional costs to carriers in the mandatory state is offset by the fact Transport pays dividends.

Under uniform rates and policies, it becomes practically impossible for the small insurers successfully to compete with big insurers, he declared. A buyer offered the same policy at the same costs by an old established company with \$10 million capital or a new company with \$500,000 usually chooses the former.

Correction of the problems which do exist is possible at the state level, he said.

Lenders Discriminate

Sen. O'Mahoney asked what lending institutions discriminate against the Government Employees' fire policies.

Mr. Kreeger said there have been several hundred refusals of his company's fire policies by 41 financial institutions, principally building associations and savings and loan associations, scattered over the country.

Asked why they refused, Mr. Kreeger replied that some institutions said his company did not have enough capital and surplus; some said it did not have an agent in every county in the state. Where these institutions indicated what companies were acceptable, they turned out to be non-deviating companies, he said. In some

cases there is a tie-in of institutions' officers and insurance agencies which get commissions.

His company was moderately successful in getting business when the lender was told that it would consult with Department of Justice. Even where there is no tie-up of lender and agency, Mr. Kreeger said there are other advantages an institution might get; for example, a large insurer could extend favors to the lender.

Whatever state law so requires, his company has local resident agents who process, countersign and deliver policies, Mr. Kreeger stated. However, it does not have producing agents, brokers or salesmen. All its business is obtained by advertising, mail solicitation and recommendations from policyholders. Most of its business comes from those connected with the armed services and from employees of municipal, state and federal governments. In recent times, however, certain other classes have been made eligible.

Has 96% Policy Renewal

More than 96% of policyholders renew their policies with Government Employees each year—a renewal ratio he described as one of the highest in the industry. Its success testifies that state regulation under all-industry type rating laws generally has operated effectively in casualty. Assets of his company have grown from \$2.5 million in 1945, the year of the McCarran act, to more than \$72 million.

Texas Law Strait-Jacket

However, the Texas rating law is a strait-jacket. Also North Carolina, Virginia and Louisiana prohibit independent rate filing for automobile insurance.

Mr. Brandt said that in Illinois in 1956, the department suggested Auto-Owners change its policy to provide the same coverages as the bureau family automobile policy. The company wrote the department that it did not contemplate reprinting its policy at that time. Considerable correspondence ensued. A year later Illinois indicated the company was to continue using its present policy. But in 1958, on filing of new rates, the rating supervisor of the department told the company the rates would not be approved unless its policy was changed to conform to the bureau family automobile contract. Since Auto-Owners desperately needed a rate change, it did change its policy by endorsement. The rates were approved. The company is still operating on that rate filing with the bureau policy.

In 1957, Mr. Brandt said independents had trouble deviating from Florida Rating Bureau Fire rates. The next year Auto-Owners filed an automobile rate revision with the department. It was mailed back without correspondence to indicate approval, or disapproval. The company telephoned the department and was informed a rate moratorium was in

effect. The statute requires approval or disapproval within 30 days. Failure even to review the filing was a clear violation of the rate regulatory statute, he said. This situation existed for several months, during which time many companies desperately needed rate revisions.

No Business In Kentucky

In 1955, Mr. Brandt's company filed forms and rates for active operation in Kentucky. The department asked for a comparison of all of its forms with National Bureau forms. This was done. The forms and rate filing were then reviewed with the department. All fire and allied lines forms and rates were shortly approved. But despite many efforts by the company, to this date auto casualty and bond forms and rates have not been approved or disapproved. As a result, the company has not sold one auto policy in Kentucky.

Last Oct. 23 the Ohio department notified Auto-Owners that a territorial definition revision had been made and that the company was expected to comply with the revision, he testified. This would require Auto-Owners to ask its agents, on a large percentage

of the policies in force, to change business to the new territories. The change also involves changing hundreds of thousands of IBM cards to provide the proper territories for the company's electronic renewal program. But the department in effect told the company it must follow the revision or its existing filings would be disapproved. The company is currently following the territorial revision program, Mr. Brandt concluded.

Sen. O'Mahoney wanted to know if the state rulings Mr. Brandt complained of were written or oral. The latter, he said. Did anybody contest these rulings, Sen. O'Mahoney asked, by appeal to the courts, for example. Not that Mr. Brandt knew of.

National Board Scored

If National Board had its way, "There would be no competition in the fire business," Mr. Hays declared in a statement sent to the subcommittee. Everybody would have the same rate—and some states go along with this, he said. His company recently filed a package policy in Arkansas, and National Board requested a hearing. The board sent high-priced attorneys to try

to prevent the company from filing such a policy.

The board, he stated, has done this in a number of cases, which makes it almost prohibitive for a small company to undertake the expense.

There are companies writing a preferred class of business which operate with a lower overhead that can do a better job, he commented. They can give policyholders a lower rate. In some states they are not permitted to do so, because of law or a decision of the commissioner, as in Texas, Louisiana, Virginia and North Carolina. Texas doesn't allow competition in many lines of insurance; yet that state has had more insurance scandals than any other.

In the last few days the Florida legislature passed a bill fixing assigned risk commissions and increasing them, he said. This may lead to regulation of commissions, he thinks. It is the first attempt to do so, so far as he knows, and is another effort to curb freedom of action and competition.

More regulation and greater expense of operation means fewer companies will be organized and that the public will pay higher rates, he stated.

Correct Auto Loss Of Hartford Accident

On page 28 of the May 29 issue, the incurred automobile losses of Hartford Accident for 1958 were shown as \$46,650,455. This is not correct. It should have included \$17,808,023 of auto PDL losses. The correct figure for BI and PDL incurred losses for the company is \$64,458,479.

This produces a loss ratio of 59.5, and not, as shown, 43.1.

Illinois Farm Agents To Celebrate 30th Year

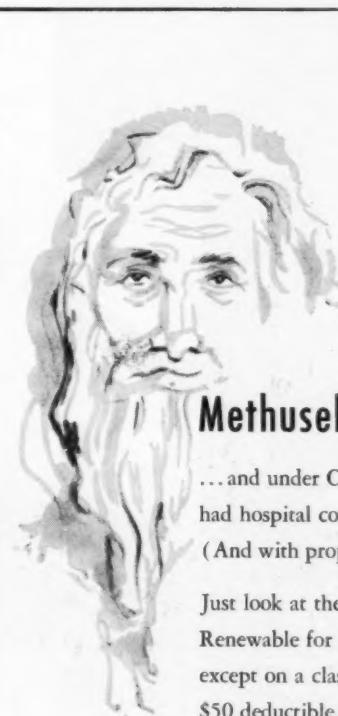
A record attendance is anticipated for the annual meeting of Illinois Farm Insurance Agents Assn. to be held at the Hotel Jefferson in Peoria, June 17-18. This year marks the 30th anniversary of the association.

Edward McFaul, noted sales conference speaker from Chicago, will deliver the main address following the luncheon on June 18th.

Officers of the IFIAA are Robert C. Kepner, Rochelle, president; Ronald C. Shafer, Chatsworth, vice-president; and James L. Allen, Macomb, secretary-treasurer.

Akron Agency Elects Officers

T. J. Seibert has been named chairman and George W. Keck president and treasurer of the Seibert-Keck agency of Akron, O. Other officers named are Andrew P. Maconachy, N. Parker Berry and Herbert W. Cochran, vice-presidents, E. C. Seibert, secretary, and Drury Woodard, assistant secretary. T. J. Seibert founded the agency in 1910, and Mr. Keck joined it in 1948.



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(CONTINUED FROM PAGE 2)

goal—the purpose behind the revised marketing concept.

The company is not allowing its new program to become "ingrown." It realizes that some of the best sales advice is available from the men who do the actual selling. Ideas are solicited from producers who are successfully using practical, efficient and productive selling methods. The company may formalize this country-wide idea swapping facility. An agency advisory

board, with rotating membership to include representatives from each branch office territory, is being considered. This board could apply a rich supply of varied experience to help the company weigh marketing possibilities, and could come up with many ideas of its own, applicable to all lines and all sections of the country, and adaptable to varying conditions.

The company does not believe that its own specialists, experts and pro-

ducers have an exclusive interest in marketing. It realizes that every employee has a stake in the future of the company, and it has brought the story of competition to them. F. H. Oliver, assistant U.S. manager in charge of over-all sales, has talked directly to employees on the subject of competition in the company house organ—Pulse. There he defined competition, analyzed the types of insurers providing it, and told employees that ev-

ery individual—regardless of his or her job—is on the selling team. The way each does his job is a most important element in competition. "If our underwriters do as good a job as the other company's underwriters, we're on our way," Mr. Oliver said. "If they do a better job than the other company, we've got them on the run." He applied the same observations to claims men, clerks and secretaries.

Mr. Oliver also pointed out that employees can influence sales by acquainting their friends with Zurich-American's reputation, and urging them to look at its policies before they make a buying decision. This avenue of marketing is neglected by most agency companies.

Recruiting And Sales Training

Every aspect of company operation is tied in with marketing. This is impressed upon trainees from the day they enter the rapidly expanding company school which completed its first full year of operation in 1958. Graduates are given supplementary in-service training—based upon their individual aptitudes, talents and needs, for a period of three to 18 months.

A college recruiting program to bring men of potential executive calibre into the company has had excellent results. The company has wisely selected men with varied educational backgrounds. Among recruits to date are men who have majored in English, economics, business administration, political science, psychology and business management.

A series of special sales training schools was also started in the fall of 1958. In these sessions, established sales representatives—formerly field men—get a one-week refresher course in the principles of prospecting for and appointing agents. Eight of these schools are being held this year.

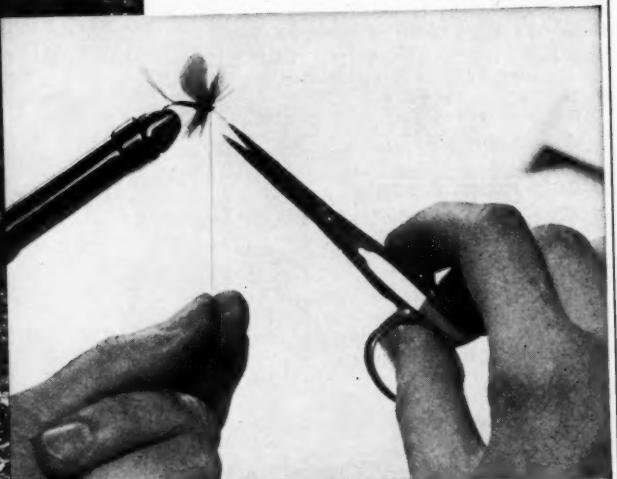
All of these activities are elements in a long range production control plan designed to increase and balance business on the books, to minimize guess-work and waste effort in prospecting, and to eliminate unnecessary expense in servicing unproductive areas or unprofitable production sources wherever they may be.

Goals And Methods

The company has determined to double its volume within the next six years, and management is not keeping that goal under its hat. It has laid the goals on the line at staff meetings of key personnel from coast to coast. At these meetings, the new marketing program was explained in detail.

On the way to this goal, vigorous effort has been made to enlarge the

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Editorial Comment

Fight Shaping For Dwelling Business

Two forces are exerting pressure on the rating of habitational risks. These are the need for uniformity and simplification if electronic data processing is to be applied effectively to policy production, accounting detail, billing and the like. At the same time, broad general classifications in this area and rates that reflect them have produced a situation in which the independent rate filer has been able to sell coverages at a discount, underwrite selectively in the one family dwelling class and make substantial profits on the business.

Under the habitational grouping there is a code breakdown for household contents, another for dwellings, and one for dwellings and contents written together. However, the classifications on which the codes are based are so broad that the deviating company or independent filer can write new one family dwellings with its eyes shut and do well.

The new construction of this type of dwelling has exceeded \$100 billion in the nine years ended with 1958.

This has created a very substantial new market. But there also are a great many older houses, and the bureau dwelling class includes units that house barbershops and many other non-dwelling activities. Many of the older units are blighted areas.

In general, insurers offering a discount on dwelling business, by deviation or independent filings, are not writing much if any of the habitational classes that include dwellings housing boarders and tenants, who substantially increase the hazards of fire and explosion. These insurers stay away from blighted areas. They don't take habitations that house dentist's offices, beauty parlors, and similar light business activities.

So underwriters and executives of companies that follow bureau rates are looking at the habitational group and its divisions and rates with a critical eye. Present bureau rates and rate bases have functioned anti-selectively to push preferred business out of their reach and into the hands of competitors. This effect has been especially apparent with the enormous rise in new one family dwelling units since World War II.

What is needed, it is said, is a separate class for one and two family detached dwelling units, up to 10 years old, say, and a competitive rate to give the bureau insurers what they regard as a proper share of the preferred business in this field. Indications are that steps are being taken to do this.

Another influence that is pushing companies to revise dwelling classes is the surge in homeowners, which has tended quite markedly to transfer the best dwelling risks away from older fire forms to the new package. This has been the chief instrument for substantial deterioration in dwelling units left for coverage by the older forms.

We are already seeing homeowners rates being reduced in certain states—

Connecticut, for example—while at the same time fire and EC rates for dwellings are being increased substantially. This reflects the deterioration in properties left for coverage by fire and allied lines forms.

Class revision might help bureau companies in their homeowners business, since the HO forms are geared to bureau classification and rating factors. For competitive purposes, non-bureau companies have abandoned some of these rating factors and perhaps properly so since they no longer (if they ever did fully) reflect conditions, realistic protection standards, and the like. Since World War II housing not only has shown great growth but also many changes in pattern, one of the most obvious of which is the movement to the suburbs.

Homeowners has grown so rapidly it almost has reached a volume of premium and accumulated enough experience to stand on its own feet. Consequently, classifications and rates that will enable bureau insurers to compete more successfully for HO volume might be reached through the handling of HO. However, since the fire and allied lines rating goes back to base on bureau fire classes and rates, apparently the fundamental job is to revise the latter. That will need to be done first.

Whatever the specific actions that are taken, bureau insurers are exhibiting a growing determination to put up a competitive fight for good dwelling business. They are not going to continue to lose it by default.—K.O.F.

Personals

John F. Neville, secretary of American Insurance Assn., and Mrs. Neville, are the proud parents of a 6½ pound girl, Victoria, born June 7 at Harkness Pavilion, New York. This the Nevilles' third child.

L. F. Hawley, president of Newhouse & Hawley, has returned to Chicago from a three-week visit to London where he conferred with London correspondents of Newhouse & Hawley and with underwriters at Lloyds.

Herbert S. Brewer of Lockport, immediate past president of New York State Assn. of Insurance Agents, was honored at the annual meeting of Greater Lockport Insurance Women's Club with a special certificate of merit. Mr. Brewer installed the new officers, headed by Miss Loraine Sinclair, president.

E. D. Lawson, vice-president western department Fireman's Fund, has been named to the executive committee of Cook County (Chicago) chapter of the National Foundation for Infantile Paralysis.

Roy G. Bachman, former president of General Adjustment Bureau, Inc., was honored at a testimonial dinner in New York attended by 47. W. L. Nolen, U.S. manager of North British and chairman of GAB, acted as toast-

master. Mr. Nolen commended Mr. Bachman for his contributions to the business during 26 years with GAB. Ralph R. Moe, P. M. Douglass, W. T. Murphy, J. F. Mazzia, Ben M. Butler, Milton Ignatius, Eli Berger, and George Jordan also spoke in tribute to Mr. Bachman. Farewell gifts presented by his bureau associates included a power saw and a portrait. Mr. Bachman, the first bureau staff member to be president of GAB, retired recently at his own request. He was succeeded by Mr. Butler.

Robert B. Douglass of Potsdam, who recently was elected executive vice-



Robert B. Douglass



Raymond A. Muth

president of New York State Assn. of Insurance Agents, has been in business since 1942, when he became manager in Potsdam of a branch of the Pitt agency of Canton. He purchased the branch in 1946. He founded the agency management school of the association held annually in Sagamore. He is past president of Insurance Federation of New York. His father owns the A. F. Mills agency of Carthage.

Raymond A. Muth, the new treasurer of the state association, is president of the George W. Muth & Son agency of Newark, N. Y., which was established in 1884 by his grandfather and was continued by his father, Walter R. He is past president of the four-county board which includes Newark. He is past president of the chamber of commerce and Rotary Club there.

James B. Donovan, general counsel of National Bureau and a member of the New York law firm of Watters & Donovan, spoke on strategic intelligence and its use by the United States at a meeting of St. Paul's Guild, New York. Mr. Donovan was general counsel 1943-45 of the U. S. Office of Strategic Services.

H. C. Roberts of Canton, past president of Mississippi Assn. of Insurance Agents, has been named chairman of Mississippi Economic Council, which is the state's chamber of commerce. He is one of the men largely responsible for the committee's home town development program.

Victor O. Schinnerer, Washington agent and president of Washington Board of Trade, and **Kenneth R. Underwood**, manager of Insurance Rating Bureau of District of Columbia, were named member and associate member of the year by District of Columbia Assn. of Insurance Agents.

John Ryerson, partner in the Koehler agency of Milwaukee, has been elected president of Milwaukee Junior Chamber of Commerce.

J. Milburn Smith, president Continental Casualty, and **John Burkhard**, president of College Life of Indiana, were among the nine distinguished persons to receive honorary degrees of doctor of law at the commencement ceremonies of DePauw University, Greencastle, Ind. Presentations were made by Dr. Russell Humbert, president of DePauw.

Mr. Burkhard is an alumnus of

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175 W. Jackson Blvd., Chicago 4, Ill.
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June 12, 1959

The NATIONAL UNDERWRITER

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DePauw. Mr. Smith's younger daughter, Lillian, was in the graduating class and Mr. Smith was president of the DePauw Dad's Assn. last year.

Miss Smith is being married June 26 to Theodore Julian, who graduated at DePauw last year and is now attending University of Michigan law school.

William S. Hults, New York motor vehicle commissioner, has been elected president of region 1 of American Assn. of Motor Vehicle Administrators. He was formerly a local agent in Port Washington, N.Y.

Charles O. Jenkins of St. Petersburg, who recently was elected president of the Florida Assn. of Mutual Insurance Agents, succeeded Thomas A.

Stang of Jacksonville. Mr. Jenkins opened the agency bearing his name in 1946, prior to which he was a member of the St. Petersburg police department. His election culminates several years of service to the agents' association.



Charles O. Jenkins

Helen Codere, daughter of C. F. Codere, chairman of St. Paul F&M, has been awarded two scholarships to conduct anthropological research in East Africa. She is a professor of anthropology at Vassar and the scholarships are from the Vassar faculty fellowship and the John Simon Guggenheim fellowship.

Ben Voth, president of Standard of Tulsa, received an honorary doctor of laws degree from Phillips University of Enid, Okla., in recognition of his service to the community.

Deaths

S. C. Carroll, retired vice-president of Mutual Benefit H&A, died after a long illness.

Mr. Carroll joined Mutual of Omaha in 1923 after several years with the Kansas department as a deputy. He was named special assistant to the late Dr. C. C. Criss, president and founder. In 1940 he was made a vice-president. Mr. Carroll was a past president of the old H&A Underwriters Conference.



S. C. Carroll

JACK R. WOLFORD, 36, deputy commissioner of the Kentucky department, died at Lexington after a short illness.

HARRY F. KEATOR, 83, chairman of Stewart, Keator, Kessberger & Lederer general agency of Chicago, died at St. Francis Hospital, Evanston. Mr. Keator, who has been inactive in operation of the agency for the past two years, was one of its founders in

1920. He had formerly been a vice-president with Joyce & Co. of Chicago, beginning his long insurance career with that agency after having been in the advertising business. His son, Harry F. Keator Jr., is a vice-president of Stewart, Keator, Kessberger & Lederer.

TOM V. MYERS, 53, agent at Edwardsville, Ill., died at Highland, Ill.

LESLIE L. PRESCOTT, 55, Shreveport, La., agent, died there of a heart attack.

PAUL M. BROWN, a pioneer in aviation insurance and with Bowes & Co., London Lloyds representatives, at Chicago from the middle '20s until he retired as a vice-president in 1943, died in Mexico City, where he had moved after retiring.

ROBERT J. LYLES, 56, former local agent at Austin, Tex., died there after a prolonged illness.

D. EDWIN MISNER, 57, manager of the Long Island office of North America companies, died at his home in West Hempstead, L. I. He had been with North America 15 years as agency superintendent in the New York office, manager of the New York service office and, since 1950, manager of the Long Island service office.

Stocks

H. W. Cornelius, Bacon, Whipple & Company
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	Bid	Asked
Aetna Casualty	180	185
Aetna Fire	64	65 1/2
Aetna Life	213	220
American Equitable	40 1/2	42
American (N. J.)	25	26
American Motorists	18 3/4	20
American Surety	22 1/2	23 1/2
Boston	32 1/2	34
Continental Casualty	115	118
Crum & Forster	62	65
Federal	60	62
Fireman's Fund	54	55 1/2
General Reins.	79	81
Glens Falls	32 1/2	33 1/2
Great American Fire	36	37 1/2
Hartford Fire	175	180
Hanover Fire	37 1/2	39
Home of N. Y.	49 1/2	51
Ins. Co. of No. America	122	125
Jersey Ins.	33	35
Maryland Casualty	34 1/2	35 1/2
Mass. Bonding	31	33
National Fire	112	120
National Union	39	41
New Amsterdam Cas.	45	46 1/2
New Hampshire	43 1/2	45 1/2
North River	37 1/2	39
Ohio Casualty	33	Bid
Phoenix, Conn.	73 1/2	75
Prov. Wash.	19	20
Reins. Corp. of N. Y.	20 3/4	22
Reliance	48	50
St. Paul F. & M.	58	60
Springfield F. & M.	29	30
Standard Accident	54	56
Travelers	81	83
U. S. F. & G.	82	84
U. S. Fire	28 1/2	30

Pa. Ariz. Auto Rates

Revised By Mutual Bureau

Mutual Insurance Rating Bureau has increased rates on private passenger cars in Pennsylvania by 21%, on commercial cars, 13.5% and on division one garage risks, 13.3%. Revision in Arizona on the respective classes result in a decrease of .9%, an increase of 7.2%, and no change.

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Tells Progress, Purpose Of NYC Special Arbitration Program

(CONTINUED FROM PAGE 11)

mechanics involved in submitting a case before a special arbitration panel.

Although the agreement is a relatively new program of the Combined Claims Committee, completely separate and distinct from the Nationwide Inter-Company Arbitration Agreement, its seeds were sown in article 2 of the latter agreement.

Under this article any controversy between or among insurance companies can be submitted to arbitration by

consent of the interested companies. The procedure has been used effectively in many cases before the various committees, but, being voluntary, there have been situations wherein it could have been applied advantageously, but for one reason or another, the insurers sought other ways to resolve their differences.

In 1954, the public relations committee of New York City Casualty Insurance Claim Managers' Council,

also sponsored by the Combined Claims Committee, gave the first formal consideration to a program of "special arbitration," following a request from the joint conference committee composed of plaintiffs' attorneys and insurance executives appointed by Judge Peck, the then presiding justice of the appellate division, New York supreme court, to consider problems of court congestion. However, it was not until September, 1955, that a definite study

was undertaken. At that time the Combined Claims Committee reviewed the 1955 report of the Temporary Commission on the Courts in New York, wherein specific comment was made on the subject of co-defendants being unable to agree on their proportionate share of a settlement figure. The view was expressed in this report that these cases led to unnecessary litigation, especially where the parties agreed on what the plaintiff should receive, but could not agree on what share, if any, should be borne by the respective co-defendants. The temporary commission noted that following settlement with a plaintiff some insurers did submit these problems to a voluntary informal arbitration proceeding, but felt that greater use could be made of arbitration facilities in resolving these difficulties.

Members Total 142

The Combined Claims Committee concurred in the commission's views and recommendations on this point, as it felt they were completely in accord with the insurance industry's efforts to avail itself of every opportunity to contribute its share to the relief of court congestion and to cooperate in every way towards this end.

To further implement this recommendation, a subcommittee on special arbitration was appointed for the purpose of drafting an agreement to submit for the review and approval of member companies of Assn. of Casualty & Surety Companies and National Assn. of Mutual Casualty Companies, both of which are represented on the Combined Claims Committee. A year and a half was devoted by the subcommittee to this labor. During this time all phases of the problem were considered, various drafts prepared, reviewed, and revised. The special arbitration agreement was the product of this study.

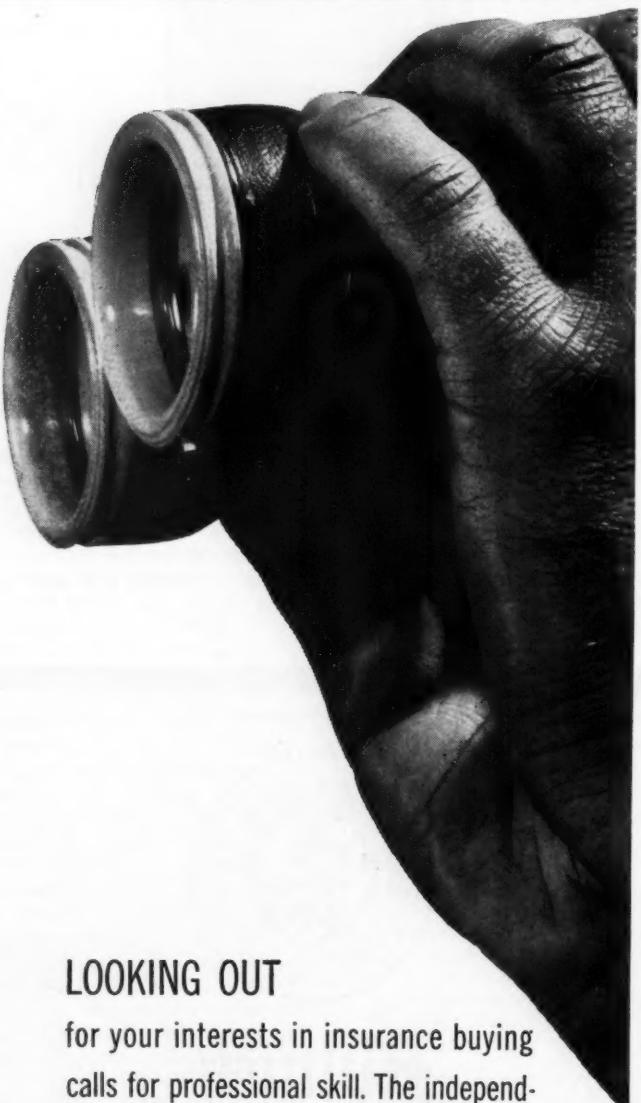
The first list of signatory companies was published in September, 1957, with 96 companies. The latest list of September, 1958, counted 142 signatories, including large independent insurers.

Under the agreement signatory companies bind themselves to arbitrate disputes arising from situations wherein each has issued, either a policy of casualty insurance covering one or more of a number of parties, each asserted to be legally liable for an accident or occurrence out of which a claim or suit for BI or PDL arises; or where each has issued separate policies of casualty insurance to the same party or parties asserted to cover an accident or occurrence out of which a claim or suit for bodily injury or property damage develops. This compulsory provision is limited to claims or suits wherein a settlement has been completed with a plaintiff for an amount not in excess of \$10,000, which figure the interested signatories have agreed is the value of the case to the plaintiff, regardless of the insurers' disagreement as to the proportionate share between or among the defendants.

Insurers Hold Equal Status

If the amount of settlement exceeds \$10,000, the insurers may by agreement still avail themselves of the facilities of the special arbitration program, provided the controversy meets the agreement's geographical limitation by arising from a suit or claim in the metropolitan New York City area, including the adjacent counties of Nassau, Suffolk and Westchester.

In the settlement of a plaintiff's case, on a matter to be submitted to special arbitration, each signatory to



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June 12, 1959

the inter-company dispute contributes an equal share toward the settlement figure, which contribution is made without prejudice to either insurer as to the issues to be heard and ruled upon by the special arbitration panel.

As distinguished from the Nationwide Inter-Company Arbitration Agreement, neither insurer in special arbitration is designated as an applicant or respondent. Each insurer stands equally before the committee.

If a matter falls within the provisions of article 1, arbitration may be initiated by either insurer filing a "notice to arbitrate form" with the special arbitration committee together with a filing fee of \$10. A copy of the form is forwarded to the other interested insurer, which in turn also forwards the special arbitration committee its fee of \$10.

Upon receipt of the notice to arbitrate form and the filing fees from each interested insurer, the Combined Claims Committee forwards the insurers a slate of prospective arbitrators who under the rules are drawn from the alphabetical listing of the entire special arbitration committee. Each insurer has the right to strike one name from the list of five, with three remaining names constituting the panel for the particular case. If neither or one of the insurers does not elect to strike, then the first three unstruck names in the list of five automatically become the panel for the case.

No Appeal Provision

Following the selection of the panel, the parties are required to submit to the special arbitration committee, within 15 days, a statement of facts, agreed if possible, brief or argument in support of their position and any other evidence considered appropriate to the issues. When these papers have been filed a hearing date is set with timely notice to all interested parties. The average time consumed in a hearing is approximately two hours. Within 10 days after a hearing, the panel is required to render its decision, a copy of which is forwarded to each insurer.

As in the Nationwide Inter-Company Arbitration Agreement the decision of the special arbitration panel is final and binding upon the insurers without the right of rehearing or appeal.

The special arbitration committee is appointed by the Combined Claims Committee from qualified representatives of signatory companies recommended to the committee by their home offices, as qualified to hear and rule upon the intricate issues presented by matters under the agreement. The members of the special arbitration committee occupy responsible position

with their companies and are endowed with the necessary qualifications of education, experience and judicial temperament required in the consideration of and decision on matters under this program.

The first case actually filed in special arbitration was in December, 1957. It has been followed by 17 additional cases in which the total amount of agreed settlements with third party plaintiffs came to \$134,150. The largest amount filed in a single case to date is \$52,000 and the smallest amount is \$650. The average amount of third party settlements in cases submitted to special arbitration has been \$7,450.

25% Exceed Limitation

Although a monetary limitation has been set by the Combined Claims Committee at \$10,000, it is interesting to note that approximately 25% of the cases filed in arbitration have exceeded this figure.

The situations submitted for the panels' consideration have ranged in varying degrees of complexity.

A typical case involving the insurers of co-defendants under automobile liability coverage arose out of an injury sustained by a passenger in one of the vehicles. The passenger started an action against the owners and operators of both automobiles. Negotiations reached a point where the plaintiff was agreeable to a settlement figure under \$10,000. While both insurers regarded the figure as reasonable, each felt the other should pay the entire amount, both claiming freedom from negligence on the part of their respective insureds. The accident took place on a rainy evening in a railroad underpass when a skidding motion on the part of one of the cars set in force a series of events which resulted in a sideswipe collision.

The insurer of the skidding car maintained that its driver had the car under control long before the adverse vehicle approached and that its car remained at all times in the proper lane. The other driver claimed that the skid took place when the vehicles were in close proximity and the impact took place on his side of the highway. The physical facts brought out at the hearing played an important role in determining the accuracy of each drivers' observations. There was evidence of speed, bald and threadbare tires, right side vehicle damage, etc. with the result that the panel absolved one driver from negligence and ruled that the settlement should be carried entirely by one insurer.

Another situation requiring the attention of a special arbitration panel developed from an accident in which a third party was injured by a truck

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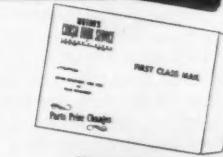
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FIRE—CASUALTY

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hauling sand on a road construction project. The truck was covered by a non-signatory insurer with low limits. Its owner was involved in contract arrangements with or between a general and subcontractor, both of whom were insured for high limits by separate signatory companies. The truck owner's limits were exhausted in the settlement negotiations, leaving an excess of \$21,000 which was paid by the general and subcontractor's insurers for the purpose of concluding the litigation and bringing their differences into arbitration.

Intricate issues were involved by reason of the contract and various relationships created thereby between and among the insurers' insured and by a coverage question raised by this set of facts. One question concerned the relationship of the general contractor to the subcontractor, together with questions relating to the relationship of the subcontractor to the state highway authority, the truck owner to the subcontractor and the truck owner to the general contractor and his relationship to both. Another question concerned itself with the status of the arrangements under the respective policies of insurance, one of which contained a hired car endorsement, and the other a non-ownership endorsement, etc.

The special arbitration panel also had for decision a problem that presented itself to signatory companies when a member of the public fell at or near the entrance way to a store. One signatory covered the owner of the premises, the other signatory covered the tenant. The principal issue was whether the tenant or the owner, or both, exercised control over the accident scene.

Interest, Enthusiasm, Widespread

Loading and unloading situations have required the attention of the committee, as well as a question between automobile insurers relating to the transfer of title between their respective insured. The program has also been used to assist signatory companies in resolving a problem created by an accident to a third party who tripped over an extension cord running from a wall to the motor of insured's car. Both the car and the building were owned by the same insured, although each hazard was covered by a different insurer.

Although there have been 18 filings in special arbitration, from the inquiries received by the staff, many other difficulties between signatory companies have been resolved by the very existence of these facilities.

While the program is new, every indication is that accelerated use will be made of these facilities during the year ahead as the 1959 filings for the first two months represent 75% of the total filings made in 1958.

Interest in the program has been widespread and claim men in other localities have lauded the program and expressed the desire that similar facilities be created by the Combined Claims Committee in strategic locations throughout the United States. Unquestionably, the special arbitration program fills a definite need for the casualty insurers and its future holds every promise of continued valuable service to the insurers and to the public at large, by providing facilities for the removal of troublesome litigation from heavy court dockets.

A Pennsylvania bill, passed by the senate and sent to the house, would raise to \$10,000 the amount insurers could pay in salaries and emoluments without approval of directors.

Old Problems Reappear At NAIC Annual; Hammel Elected

(CONTINUED FROM PAGE 1)

New Orleans, they being: Rinehart of Alabama; Titano of Guam; Sears of Maryland; Whitney of Massachusetts; Blackford of Michigan; Magnusson of Minnesota; Grubbs of Nebraska; Thacher of New York; Stowell of Ohio; Musser of Oregon; Roberts of Rhode Island; Long of Tennessee, and Adams of Wyoming. All of them were inducted into the Nebraska navy.

Debate on such a high level of understanding that the implications were caught by only a few of those in the subcommittee on credit life and credit A&H legislation. William J. Walsh of Consumer Credit Insurance Assn. held the center of the stage on this score. Two of the commissioners asked him if he could let them in on just what was being discussed, but Mr. Walsh said he did not think such matters should be elaborated upon in an open meeting.

Gerber Presides

Gerber of Illinois, the chairman, presided. He called on Roger Downey of New York to report on the status of the credit life blank. Mr. Downey said the current blank is inadequate for the national survey of credit coverages which NAIC is undertaking. At the December meeting a resolution was adopted calling for inclusion in the annual statement supplements of essentially the information required in the NAIC survey of August, 1957. An amended form has been submitted and Mr. Downey said he has every expectation it will be adopted by the executive committee. It calls for complete reporting of reinsurance treaties of credit life and credit A&H, both assumed and ceded for both group and individual. Additionally, the instructions have been made more explicit.

Mr. Gerber reported that 14 states have enacted credit insurance legislation, some prior to drafting of the NAIC model bill. Eight states still have their legislatures in session and the model bill is pending in them. In six states the bill did not pass.

The record, Mr. Gerber remarked, is "rather good" for such a volatile field. In some areas, the banks and finance companies have opposed it, but he attributed it to misunderstanding of the bill and its purposes. He urged the industry to support the bill, while the commissioners, he implied, had better do so because they may have in the future to account for their efforts to secure passage of this type of regulation.

LIA, ALC Give Support

Albert Pike of Life Insurance Assn. said LIA and ALC have supported the model bill, although as it is introduced in the states a number of suggestions for changes have arisen. His organizations intend to work up some amendments which will be filed with NAIC after Labor Day.

Mr. Walsh at this point broke up the harmony by asserting, among other things, that there is a lack of knowledge among commissioners as to the authority the bill gives them. This is a vital issue, he declared, and may be a large issue when the industry suggested amendments are filed. Emotionalism is taking over in the credit insurance regulation area, he charged. There is a lot of worrying about Washington, but "it doesn't help if you're dead before you get to Washington," he said.

CCIA was one of the first to support the model bill, Mr. Walsh recalled, but he said he wonders now, "with a grin," if that wasn't a mistake.

In the majority of states where the bill has failed, Mr. Walsh added, it will continue to fail if the industry is to be crucified. The problem is that of implementation, he declared. The industry was asked to trust the commissioners, but that isn't working out. Maybe, he said, the big problem is going back to that question of trusting the commissioners. It has been a problem state by state.

Mr. Gerber admitted the problem is a trying one, full of differences. But, he said, to defeat the legislation will avail the industry nothing, nor the commissioners. The public will lose.

Commissioners Palmer of Indiana and Beery of Colorado wondered about what Mr. Walsh was driving at, and asked him for elucidation, but Mr. Walsh opined that much of the precise nature of the problem would be better left unsaid at an open meeting.

S. Daniel Juliani of Aetna Life brought up two problems of his company. Clients of Aetna Life offer credit insurance in a truly non-contributory basis. They feel the bill is onerous to them and would like to be excepted. Secondly, there is no provision in the bill for a transition period, but the change it brings about is enormous. He suggested a six month wait before the full impact of the bill is put into effect.

Harrington Urges Action

C. F. J. Harrington, Boston, executive vice-president of National Assn. of Casualty & Surety Agents, urged action on the bill as necessary for protection of the public, and Taylor Bigbie of National Assn. of Life Underwriters reiterated his organization's feeling that the bill should include a maximum premium provision.

The subcommittee on group fire and casualty insurance, headed by Bennett of Iowa, spent its time going over the current situation in the fictitious group field. John Binning, former Nebraska director and now with a law firm in Lincoln, gave a report which outlined the problem.

For the purpose of insurance buying, he said, groups are formed which do not and cannot develop a credible volume of statistics for rating. Some of these artificial groups may be, from insurance standpoint, unlawful and unfairly discriminatory. Laws may be violated through payment of dividends or offering credits through a trade association; by payment of commissions to associations or its officers; by false advertising to association members (perhaps at the behest of an insurer); or by misrepresentation of a dividend basis. There is the further possibility of law violation by way of soliciting business without a license (with associations participating).

Much of this business, it was added, is not properly rated; the underwriters are given wrong information, and the business is handled by out-of-state agencies which may or may not be licensed.

This is a big thing in the medical field, he declared.

Frank Hart of the Kentucky department said his state has made a study of this problem over the past 18 months. The complaints are backed by detailed information and the department has files and copies and photostats of the data. These are in-

dividual complaints, he stated, mostly in the medical field.

Asked by Beery of Colorado if he had a remedy to suggest, Mr. Hart commented that an important item in the problem is the activity of non-resident agents and brokers. Companies are supposed to do business only with licensed agents and brokers, he noted. But when they fail to do so, "it is a very serious thing, and some of these companies may find their certificates revoked." Mr. Hart said he hoped court proceedings would not be necessary, observing that the problem is one the business should straighten out by itself.

At the session of the subcommittee on the regulation of advertising, status reports were offered on the Travelers Health case and on state legislation. Grubbs of Nebraska presided.

C. C. Fraizer of Fraizer & Fraizer, Lincoln attorneys, special counsel of Health Insurance Assn., gave the review of the Traveler's Health case, which is on appeal to the U.S. Supreme Court for rehearing.

Grubbs Gives Report

The presentation of legislation was made by Mr. Grubbs, who reported that the NAIC all-industry fair trade practice act currently is in 47 states, Hawaii and Puerto Rico. The bill has passed the Illinois senate and it has been reported favorably in the California house.

The 1950 uniform accident and sickness policy provisions law is in 48 states, District of Columbia, Hawaii and Puerto Rico.

The NAIC unauthorized insurers service of process act has been adopted in 44 states, District of Columbia, Hawaii and Puerto Rico.

Thirty-one states have adopted the NAIC advertising rules.

No Meeting With FTC

Mr. Grubbs asked whether it might not be worthwhile to have another meeting with FTC to get the FTC opinion of some aspects of the ad rules, etc. He was advised by several of the industry leaders to hold off such a meeting while the question of FTC jurisdiction is being considered by the Supreme Court in the Travelers Health case.

Those interested in the doings of the subcommittee on review of state insurance laws had to squeeze into one of the smaller meeting rooms in a modified version of the college fancy for crowding into telephone booths. Fortunately not much heat was generated, the session being devoted to a report of Grubbs of Nebraska on some assignments given him at an earlier meeting of the group.

Pearson of West Virginia, the chairman, reported that the subcommittee had discussed some of the recommendations made at the New Orleans meeting.

Parker of Virginia was to have made a report on some of this, but he was absent. Mr. Grubbs, however, was prepared. He had rough draft legislation to afford commissioners the same rights and powers as insured and beneficiaries under the unauthorized insurers service of process act (which was too long to read), a definition of "doing business," which he read, and as an alternative to the doing business definition, a bill entitled unauthorized insurers false advertising process act.

The definition of "doing business" included acts by agents, brokers, by

advertising, mail or otherwise in the solicitation, negotiation or inducement toward the issuance, transmittal or renewal of a policy, as well as any subsequent transaction, including premium collection.

Moses Hubbard of International Federation of Commercial Travelers asked if Mr. Grubbs suggested bills were being received by the subcommittee for action now or later, and was told by Mr. Pearson they would be considered later.

The casualty and surety committee, Mahoney of Maine chairman, held its liveliest session in several years. Discussion of auto cancellation problems and the question of auto warranty contracts was complete, interesting and dramatic. It was obvious that nothing could be decided in the near future on either of the issues, which fact gave the speakers a little more leeway in their remarks.

Troy W. Cox of the West Virginia department offered some startling views on cancellations, taking the position that an inequity is perpetrated on the public by having the insured take short rate when he cancels while the company can cancel pro rata. This is no contract at all in the eyes of the public, Mr. Cox averred. The insured is confronted with financial loss by reason of short rate plus probably a higher rate on his new insurance. Often, Mr. Cox charged, cancellations are for no better

reason than "spite" on the part of an underwriter, or "similarity of names," and are based frequently on the reports of investigation agencies outside the jurisdiction of the insurance departments.

As a means of ending what Mr. Cox described as wholesale cancellations, he suggested: (1) The company should cancel short rate on the unearned premium (thus penalizing the company under a yet-to-be worked out table), (2) that the insured not be charged a premium for the 10 days notice under the cancellation clause, or (3) that there be an even larger penalty than this short rate idea assessed against the insurer.

Elmer Twaits of National Bureau said he didn't know the bureau companies had been thought to be guilty of cancellation activities as described by Mr. Cox, although he said he had heard of such things in connection with the independents. It isn't a serious over-all industry problem, Mr. Twaits declared. It is costly for the companies to obtain business and once they get it they are not likely to dismiss it without good cause. On top of that, it costs money to cancel.

Heard Correctly?

Thomas Morrill of State Farm Mutual Auto said he hoped he had heard Mr. Twaits incorrectly when it seemed he had made a gratuitous reference to cancellations by independent companies, a remark which, Mr. Morrill said, would have been entirely uncalled for.

The omnibus nature of auto insurance should be studied when discussing cancellation, Mr. Morrill said. The company can select the car it is insuring, but not the driver. Over the years drivers change and new drivers enter the picture. Only 1 in 100 of State Farm's insured are cancelled on renewal. New business is cancelled at a higher rate, he admitted, because that is when inspections are made.

Harrington Suggests Study

C. F. J. Harrington, National Assn. of Casualty & Surety Agents, suggested the matter be studied. Mr. Cox wondered, if there are so few cancellations, why the companies would feel they have anything to lose by the adoption of any of his suggestions. Mr. Harrington said there certainly is something to be lost in states having a compulsory law, because there cancellations are made.

The matter was put over to executive session.

The committee had a good go-around on the car warranty question, details on which will be reported next week. Mr. Mahoney described the problem as originating with the old fly-by-night warranty companies which are now mostly out of business. They sold their contract through car dealers, but when a claim arose the warrantor was nowhere to be found. The dealer got a black eye, and often it was discovered that the insurer named at the bottom of the warranty as guaranteeing the contract did not even know its name was being used. Today only a few warranty companies are left, and the largest consolidated warranty system, has the problem, state by state, of whether to do business as a warranty company or as insurance.

James Smith, president of Consolidated, related some details of the difficulties his organization has encountered. Again the committee was dealing with a matter not susceptible to a quick and easy solution, and the discussion was lengthy and involved.

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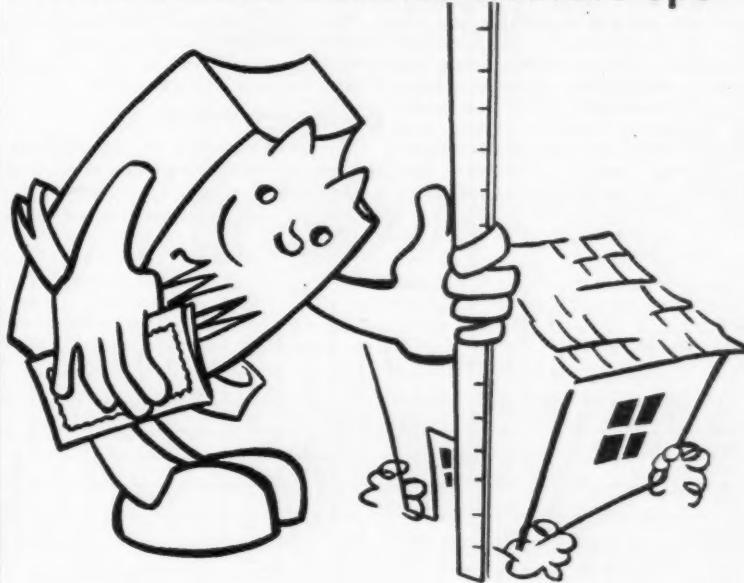
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Wins Case Involving Insured's Choice Of Cover

(CONTINUED FROM PAGE 6)

all incidents of its policies and to explain the wording and the scope of coverage was more far reaching. This duty did not mean that the insurer changed places with a broker employed by the plaintiff, or that the company undertook a broker's obligations, the court said. Nor did it mean that the insurer was on notice that it should treat the plaintiff companies as corporate persons who were deficient in an understanding of their

own requirements concerning fire coverage, because that is an everyday necessity of business life.

The court observed that a mutual company is not inherently unable to deal with an insured at arms length merely because it is a mutual.

Insurer's Duty Defined

The court referred to the insurer's duty to advise during solicitation and said that after a policy has been written

this duty may be likened to that of a lawyer or a doctor—to respond to requests made by one who thinks he needs advice. The lawyer or doctor expects to be paid for his advice, however, while the insurer was not entitled to payment except as reflected in the premium.

This obligation to advise does not imply the need to nurse or to act as an attendant, the court said. The word "mutual" in the name of the insurer does not mean that the company became a guardian of the plaintiffs. It undertook to promote their interests

by periodic inspection of plants, the study of fire prevention methods, and recommendations arising therefrom, and the making of suggestions touching upon proper and efficient coverage, and the readjustment of premium charges after compliance with corrective recommendations.

The advertising of the insurer upon which the plaintiff claimed to rely was not deemed to have created a special relationship between the parties to the case, in excess of the court's understanding of the principles which could be accepted by the jury as the law.

Court Notes Testimony

The court noted that testimony had shown that the insurer had offered blanket insurance to plaintiffs covering one or more locations on a non-reporting basis, which was declined by plaintiffs, and that plaintiffs had from time to time up to May, 1952, increased the amount of coverage at the location of the fire but not thereafter. The court asked the jury to consider what possible reason the insurer could have to refuse to issue a blanket policy when it was one of the forms that it ordinarily offered and for which a premium would be paid. The jury was also asked to consider why the increase in merchandise which must have occurred between May or June of 1952 and the time of the fire was not called to the attention of the insurer in order that the policy could be increased.

The jury was instructed to seek an answer in the evidence as to why there was no increase of coverage by plaintiffs in accordance with earlier practice, between May 7, 1952, and July 3, 1953. Following these instructions, the jury decided unanimously for the insurer, and the court stated on the record that it would have found as the jury did.

James M. Hughes and James J. Taylor of Bigham, Englar, Jones & Houston, New York, appeared for the insurer and Mr. Morrell, and Sidney J. Loeb of Prince & Loeb, New York, for the plaintiffs.

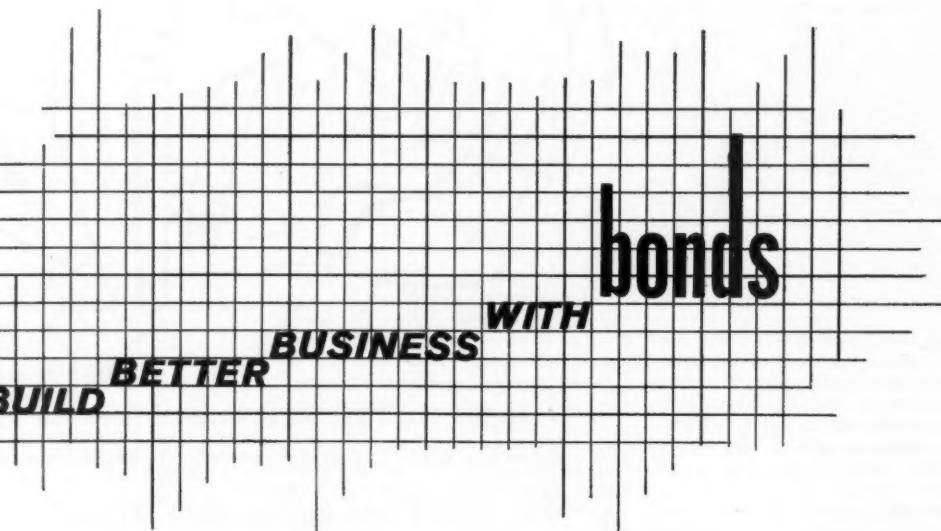
Pacific Indemnity Names Smith And Lambertson

Pacific Indemnity has appointed Lawrence M. Smith assistant comptroller and C. H. Lambertson assistant secretary. Mr. Smith, with the company more than 20 years, has been an accountant. Mr. Lambertson joined the company last year. He had been assistant controller of Pacific National.

Cornbelt Increases Capital

Stockholders of Cornbelt of Freeport, Ill., have voted to increase authorized capital from \$500,000 to \$1 million. The affiliated life company's capital will be boosted from \$100,000 to \$300,000.

J. H. Donaldson, casualty manager, veteran of 25 years in the casualty business, was promoted to vice-president of Corn Belt. The company in the first quarter of 1959 showed a combined loss-expense ratio of 92.8.



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A Safe Driving Plan for America

A plan for creating a new means of achieving safety on the highways, developed by William P. Henderson, is presented in this and the next issue of THE NATIONAL UNDERWRITER. Mr. Henderson is president of Henderson Tire Co. of Detroit. He has become familiar to insurance men as the author of a number of articles on auto styling as it relates to insurance rating and losses. His plan for safe driving is not necessarily endorsed by THE NATIONAL UNDERWRITER, but is presented as an original means of attacking this important problem. The series began in the April 3 issue.

Our way of life is constantly changing, presenting new problems which must have new solutions. The failure of business leaders to supply solutions to problems that their business activities help create generally ends up with government rules, regulations, controls or laws. Government solutions are stop gaps and restrictive, harmful to progress and, above all, costly. We must accept the efforts of our elected representatives because there is some degree of gain for the public welfare.

High accident frequency which results in billions of dollars expense presents a bewildering problem. If business leaders think a true solution will come from one of the legislative bodies of any of our states it is wishful thinking. If they further think the other of the 50 political bodies would duplicate it for essential national uniformity it is a childish hope.

Action by any state is guided by the public and political pressures in any given area. Mounting public pressures have resulted in fringe approaches of various kinds. Partial solutions of questionable value affecting only local areas is confusing and harmful. More of these costly laws will be passed that restrict mobility in an effort to reduce accidents.

To solve our highway accident problem a sound, safe driving plan has to be developed and presented to states for uniform national adoption. This can and should be done by business and industry who create our mobility and who make a profit in doing it. The combined efforts of such a group have the brains, skill, the man power to refine and develop a program as outlined.

Combined they have the power to force adoption. It will cost them only a fraction by comparison with what the future will develop if nothing is done. The following is a partial list of

such industry or business and a rough estimate of their sales in billions of dollars that are adversely affected by the high accident toll.

Automobile dealers	38
Automobile manufacturers	18
Petroleum industry (auto)	6
Tire industry	5
Steel industry (automotive)	4
Automobile insurance business	5
Road building	7
Total	83

The adverse effect on their potential market is much greater than they imagine if we are to list just a few factors as they will develop. Using the 40,000 figure killed annually and less than one half the 125,000 permanently injured they lose about 100,000 potential customers each year. This accumulates to one million lost customers in a ten year period. Given time, it will mount to a stationary figure of two million customers destroyed. That is three percent of their customer potential.

The anxiety and worry about accidents is a reducing factor in both car sales and use. Plain refusing to ride in an automobile on crowded weekend travel periods, seeking other means of transport or finding pleasures nearby or at home account for an estimated loss of about two percent.

Excessively high insurance rates caused mainly by high accident frequency in areas around Boston and New York City reduce car sales and use. In those areas it costs twice as much for insurance as the cost of gasoline to run the car. Both of these areas have compulsory insurance which is a further restricting factor. Proof of this is found in the records of North Carolina when it adopted a compulsory insurance law. Twenty six thousand cars from a small registration went off the road in the first 90 days. A five percent loss of potential is a fair future estimate. Just the listed factors add up to a 10% loss of car sales and car use if we look to the future.

While it is the task of many industries, leadership must come from the automobile insurance business as it deals directly with the accident problem. The history of insurance is that it has helped create better products and improved methods by the influence of its rating. This rating pressure must be fully exercised. With insurance leadership all business that creates mobility has a moral obligation to the nation to solve our highway accident problem.

Reprint booklets of this series are available: One copy 40 cents; 4 for \$1;

10 for \$2; 100 for \$15. Write Wm. P. Henderson, Inc., 1991 Woodward Avenue, Berkley, Mich.

Hitke Promotes Kelso

William H. Kelso has been elected a vice-president of Kurt Hitke & Co. (Ill.) He is manager of the Springfield office.

Mr. Kelso has been with Hitke & Co. since 1951 and before that was with Dearborn Fire & Casualty, Glens Falls, Kelso & Sons Agency and Interstate Casualty.

Miss Ortella Hinton continues as office manager at Springfield.



W. H. Kelso

Wohlreich & Anderson Appoints Lange V-P

Wohlreich & Anderson has appointed Herbert Lange vice-president. He will be principally concerned with all risk and multiple line operations. He was previously superintendent of Great American's multiple line department. He is a member of the New York bar, and has been an instructor in multiple line coverage courses at the school of Insurance Society of New York.

Pacific Indemnity Raises Holle To Counsel Post

Wayne C. Holle has been promoted to assistant general counsel of Pacific Indemnity. He joined the company in 1952 as a claims attorney and for the past six years has been assistant to the general counsel.



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N.A.'s New Auto Plan Is Analyzed

(CONTINUED FROM PAGE 2)
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Hearing On Texas Auto Rates Slated For June 18

The Texas insurance board has scheduled a public hearing on automobile rates at Austin June 18. The board's proposed merit rating plan will be discussed at that time.

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Travelers Auto Plan Underway In Neb.

(CONTINUED FROM PAGE 1)
be launched in Nebraska June 8 by Travelers. The program or modifications will be offered in additional states as the results of the experiment dictate.

A spokesman for the group stated that "we are determined to explore new methods of establishing automobile insurance rates which will more accurately reflect driver experience. It is obviously unfair to penalize the large number of good drivers who have never had an accident or a moving traffic violation by making them pay for the careless few. We propose to reward the good drivers with substantially lower rates. At the same time, those drivers with records of accidents and traffic convictions will have to pay more. We feel this is only equitable."

Discounts up to 30% will be given to the motorist who has not been involved in an accident or received a moving traffic violation in five years. A lesser discount will be available to those having a similar record for three years.

Other Innovations

In addition to the good driver discounts, Travelers states it will include a number of other innovations in the auto program that can mean substantially lower rates for the motorist.

Under the present program, drivers are divided into nine classifications. Under the new program, Travelers proposes to use 13 classifications in a refinement of the present plan. The company is trying to reflect as accurately as possible the exact degree of ratable hazard for each class of driver.

One of the principal innovations in the program is the introduction of packaging automobile insurance, combining liability and related insurance with or without physical damage insurance, written on a six-month basis. Auto coverages may still be purchased on an annual basis as now, at insured's option.

The company announcement noted that Travelers was the first company in the U. S. to write automobile insurance. The first known policy was issued in 1897 to Gilbert J. Loomis of Rutherford, N. J., a mechanic who built his own one-cylinder motorcar in 1896. That first policy provided \$1,000 liability at a cost of \$7.50. It is appropriate, the company spokesman said, that the company that was a pioneer in auto insurance "should pioneer today in searching for the new concepts that must be established."

Correction Of Auto Figures Of 2 Insurers

In the issue of May 29, on page 19, the automobile incurred losses of Americans were overstated by an even \$2 million. This produced a loss ratio of 58.9%. It should have been 54.5%. The earned premium of American Automobile should have been \$24,019,453 instead of \$24,019,543; the loss ratio should have been 54.5% instead of 54.1%.

No Report From Monroney

WASHINGTON—There will be no report from the Senate subcommittee on auto marketing practices, of which Sen. Monroney of Oklahoma was chairman. The subcommittee conducted widespread investigations and hearings on misclassification and overcharges on automobile collision risks.

Tell Of Plundering, Regulation Weaknesses

(CONTINUED FROM PAGE 4)

ganized by professional swindlers is given the same number of examinations as a 100-year-old colossus—one in five years for fire companies; one in three for casualty.

If financial difficulties arise, the number of examiners is increased and the length of time they spend with the company is protracted, he said. Senior examiners get about \$250 a week, and, if the company has its home office in an attractive resort area,

the examiners tend to stay on for some time.

Since most department budgets run less than 5% of the amount of premium taxes they collect, it seems logical and equitable for departments to pay the costs of examination from those revenues, he suggested. Commissioners can effectively regulate only admitted companies or licensed and conscientious surplus line agents. A commissioner can't reach the large agent in a distant state who writes in nonadmitted companies. About all the commissioner can do is to make it difficult for a policyholder to collect his loss. This harassment is carried on by some commissioners but is of no particular value to anyone and is of dubious legality in view of its interference with the individual's right of contract.

Attempts of states to destroy "non-admitted" business by taxes and fines have repeatedly been struck down as violating the 14th amendment. In this area no formal governmental regulation exists. The states cannot act in it and the federal government does not act.

States "Break" Insurers

Recently a new kind of damage has appeared, Mr. Otto declared. In some cases commissioners have absent-mindedly put insurers out of business by requiring the cancellation of quota share reinsurance treaties. This has a depressing effect on surplus because insurers have an equity in their unearned premium reserves. In other cases, the commissioner arbitrarily has held rates below expenses, thus impairing the insurer's financial stability, as, with Associated Hospital Service of New York, the superintendent forced the Blue Cross plan to lose money at the rate of \$3 million a month, depleting its surplus from \$20 million Sept. 30, 1957, to a very little by mid-1958. At about the same time the department engaged in a similar maneuver on auto liability rates. It is difficult to see how these antics help to achieve the objectives of a regulatory system.

The present intermingled state and federal regulations, with state control subject to inherent defects and federal control showing itself only intermittently, does not successfully eliminate monopolies, encourage competition, eliminate unfair competition, or promote stability, Mr. Otto contended.

Workable competition exists in lines not subjected to concerted rate making—life, marine, A&S, and a few others. The "legalized collusion" of concerted rate making, he asserted, exists in large parts of fire and casualty, which have been in an unhealthy condition for several years.

In a free market, he said, rate differentials would make all risks, lacking moral hazard, attractive to insurers. But rates promulgated for large and imperfectly homogeneous classes make some risks highly desirable, such as dwellings, and others highly undesirable, such as auto liability for young drivers.

Loss 11%, Commission 45%

As an example, he cited the country club district of Kansas City where the fire loss ratio year after year runs 11%. Commissions are up to 45%. However, from the standpoint of the economy a rate too low is just as bad as a rate too high.

He noted that in the U.S. some rates

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are regulated, some are not; in the United Kingdom and certain other countries no rates are regulated.

The price charged for insurance should provide enough money to pay claims. Everything else takes distant second place. If the insurer does not get enough money to pay claims, it is not an insurer but a fraud, he declared. In the last 10 years, while elaborate discussions of rating equity were going on, more than 500 property and casualty insurers went out of business, 200 of them under unhappy circumstances.

He suggested that rate bureaus convert to statistical organizations limited to promulgating loss information, the pure premium, rather than gross rates. This would leave each insurer free to charge whatever gross rate he might wish, based on his individual efficiency. Any deviation is a long-drawn-out and expensive process.

Hundreds Of Tasks

A detailed list of the functions of a typical state insurance superintendent could go on for hundreds of pages, he said. Over these the federal government, acting through several agencies, exercises functional jurisdiction as to boycott, coercion, monopoly, federal insurance plans, insurers of interstate carriers, insurance advertising in some cases, and aspects of pension and welfare funds.

The complaint has been voiced that such a system of regulation poses insoluble problems for the management of an insurer which must try to please 55 masters. Defenders of the present system reply that the present system works fairly well and is being improved, chiefly by National Assn. of Insurance Commissioners. But NAIC lacks a permanent research staff and an organic reference library, and needs better professional training for commissioners, he said. Up to now NAIC has borrowed from state departments whatever personnel it happened to need for particular projects. In many cases research has been done for the commissioners and NAIC by the insurers they were regulating.

The present system tends to shore up or even create monopolies by authorizing otherwise illegal practices through specific legislative grant, he declared. It was fear of competition, not desire for it, that led to the all-industry rating laws and their permission of concerted action in fixing rates. The independent insurers which, under the old way of doing things, had been free to use their own rates, found themselves entangled in apparently endless litigation and administrative review under the new system.

Standard discussions of rate-making are full of statements that competition can be allowed to set prices for filling stations but not for insurance, since competition among insurers would bring on rate wars, force rates below safe levels, and so fail to give policyholders the security they thought they were buying. Companies would be too optimistic about future losses; they would cut rates; other insurers would follow suit; the financial integrity of the insurance would be undermined; and claims would not be paid.

But, he said, not only are major classes of insurance in the U.S.—for example, life and A&S—written without benefit of such regulation, but England has a cleaner record in insurance operations, and yet does not have governmental regulation or supervision of rates.

The successful avoidance of losses to policyholders in England is explained by the unwritten mutual assistance pact among insurers. Immediate and unobtrusive help given an insurer in financial difficulties has the effect of avoiding public alarm, providing collective security, and diminishing the likelihood of governmental inquiry or tightened regulation. Mr. Otto commented that there had not been a major insurer failure in England since the 1930s.

The U.S. system baffles observers in England and on the Continent, who do not understand how insurer management can prevent unsound underwriting practices if it does not have any control over rates or classifications. He noted the tightening of the London market in 1957-58 and assigned it to a feeling that U.S. insurance people did not seem able to put together a workable property and casualty insurance structure.

Unfair Trade Practices

Unfair methods of competition have been extensively discussed—false advertising, commercial bribery, espionage, false and disparaging statements about competitors, misrepresentation, and the like, Mr. Otto observed. The adoption of little FTC acts by states undoubtedly helped in curbing such abuses. But the abuses continued to be prevalent. No adequate statistics exist on the incidence of unfair practices in insurance over the U.S. Most state departments are so understaffed and poorly financed they are unable to record complaints fully or make proper investigations and enforce remedies.

Improvement is possible in state regulation, he said, if states had more funds for operation, better personnel, less politics, adequate staffing, a ban-

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donment of impossible tasks, and improvement of administrative procedures. But the greatest room for improvement lies with the federal government, which could help the business solve some of its difficult problems by setting up a separate and parallel system of regulation applicable only to specially chartered national insurance companies.

Under questioning, Mr. Otto indicated that most insurers fail not because of rate competition but because of mismanagement—they foolishly wrote bad risks. They rely on the adequacy of the bureau rate. In every risk class, there should be credits and debits. When these are not indicated in the rate, companies get into trouble. Insurers, especially small ones, have difficulty exercising managerial judgment because the rating structure is too rigid, he said.

Pure Loss Route Better

Was the use of a pure premium ever voted on by the commissioners considering rate regulation, Mr. McHugh asked. Mr. Otto thought not. Is it feasible? Yes. It is vastly superior especially in classes where the published rates use too small a base to be credible. If bureaus were statistical organizations, they could take into account much larger statistical bases, Mr. Otto said.

Then, Mr. McHugh said, competition would determine the rates. Wouldn't that lead to insolvency of insurers and loss of public confidence in them?

That is the traditional argument against a free market, Mr. Otto said. It has no validity because it doesn't have to be the result. In countries without regulation insurers have cleaner insolvency record than in the U.S.

In answer to a question by Mr. McHugh, Mr. Otto said that states had used their licensing authority to limit freedom of entry and further restrict competition. In Illinois, for example, under a previous director, a company would have to go through certain formalities including retention of a certain Chicago law firm to gain entry.

Allegations of similar difficulties have been made in other states.

He noted that company statements show quite a few "miscellaneous" expense listings for fees to obtain admittance to certain states. It is estimated that a charter entered in 15 states is worth \$100,000 by itself. Being in a number of states has a large cash value.

Protecting Domestic Insurers

Has the licensing mechanism been used to protect domestic insurers, Mr. McHugh asked. Mr. Otto has heard this sentiment expressed freely. One commissioner closed the gate because, he said he felt the state had enough insurers.

Sen. O'Mahoney noted the traditional Congressional reluctance to set up new bureaus that take rights away from the states. However, this is an era of great changes in which national businesses are overcoming local businesses through mergers and purchase. He said he wondered if this trend is destroying the country's free enterprise system. To protect the people, perhaps Congress won't be so antipathetic to exertion of federal authority.

When Sen. O'Mahoney suggested a law to prohibit out-of-state insurers from doing business in a state unless licensed there, Mr. Otto said no. It is a great disadvantage to policyholders when they can't buy insurance with nonadmitted companies.

Hedges Disagrees

Changing the administrative system of regulation won't cure it, as Mr. Otto suggests, Mr. Hedges testified. Should there be more competition and less regulation, Mr. McHugh asked. A different kind of regulation, yes, Mr. Hedges replied, "but I am not so sure about the quantity."

Mr. Hedges said certainly more research is needed. Most of what is done now is accomplished by the New York department.

How can judgment be kept in safe bounds, Sen. O'Mahoney asked. By

government, Mr. Hedges said. If the rules are proper, insurance can be regulated by federal or state governments. He said he doesn't believe in private regulation.

"Is your ideal reflected in state regulation," Sen. O'Mahoney wondered.

Yes, he replied, in many ways—such as the rules on life insurance reserves and in other respects in the life field. Here companies have the maximum freedom of individual action within law and judgment. However, he said his view was that the business should get along with as little regulation as they can. There is considerable regulation in life insurance but there is also considerable freedom for insurer judgment.

Don't Understand Solvency

There is a lack of fundamental knowledge of what makes for financial integrity of an insurer, he said. What is a reasonable profit, what is the effect of the premium reserve on the real financial condition of a company, and other vital matters, that can only be resolved by research. Certainly insurers need more statistics for rates and to shape management judgment.

However, he said, he would let management figure out how to get it.

Does close regulation tend to keep prices higher, Mr. McHugh asked. No, Mr. Hedges replied.

What does NAIC do, Mr. McHugh wanted to know.

Meets Twice Yearly

It meets twice a year and has long discussions, Mr. Hedges replied. It farms out its problems to individual states. Is it a clearing house? Yes. To improve local regulation? Yes. Does it aim also at uniformity to eliminate conflict of law and regulation? The business of managing and regulating is more than a local matter, Mr. Hedges replied.

In response to another question, Mr. Hedges said he thought there were many more similarities than differences in insurance, locality to locality.

Among visitors on the second day of the hearings were C. P. Butler of Inter-Regional Insurance Conference, George Hanson of National Assn. of Insurance Agents, Carl Kirk, Chicago consultant, Ambrose Kelly of Factory Mutuals, and B. C. Brown of American Mutual Insurance Alliance.

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